Austria ... Sch 20	Indonesia ... Rp 3100	Philippines ... Pes 20
Bahrain ... Din 0.550	Israel ... NS 3.50	Portugal ... Esc 100
Belgium ... BFr 45	Italy ... L 1500	S. Arabia ... Rls 5.00
Canada ... C$1.00	Japan ... Y550	Singapore ... S$4.10
Cyprus ... C£0.75	Jordan ... Fils 500	Spain ... Pta 125
Denmark ... DKr 8.00	Kuwait ... Fils 500	Sri Lanka ... Rup 30
Egypt ... E£1.00	Lebanon ... £L 25.00	Sweden ... SKr 7.00
Finland ... FMk 6.50	Luxembourg ... LFr 45	Switzerland ... SFr 2.20
France ... FFr 5.50	Malaysia ... Rin 4.25	Taiwan ... NT $65
Germany ... DM 2.20	Mexico ... Pes. 300	Tunisia ... Din 1.375
Greece ... Dr 80	Morocco ... Dh 6.00	Turkey ... L 350
Hong Kong ... HK$ 12	Netherlands ... Fl 2.75	U.A.E. ... Dh 6.50
India ... Rup. 15	Norway ... Nkr. 7.00	U.S.A. ... $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

Wednesday October 22 1986

D 8523 B

Opposition revival worries Papandreou, Page 2

World news | Business summary

UK to cut diplomatic staff in Beirut

Britain is withdrawing half its diplomatic staff from Lebanon temporarily for security reasons. Reports from Beirut said the move was linked to the trial in London of Jordanian Nezar Hindawi on charges of plotting to blow up an Israeli airliner.

In Beirut, an American was reported kidnapped by a group calling itself the Revolutionary Justice Organisation. Page 6

Machel death riot

Thousands of youths rioted in Harare Zimbabwe over the death of Mozambican President Samora Machel. They caused extensive damage to the offices of South African Airways and Air Malawi and stoned the Malawian, South African and US embassies. Shadowy past of Mozambique rebels, Page 6

Amal holds Israeli

The Shia Moslem Amal movement confirmed it was holding an Israeli airman who bailed out during an air raid on south Lebanon last Thursday. Page 6

Manila peace effort

Attempts by the Philippine vice president and the armed forces chief to mend a rift in the cabinet have created a possible way out of a looming government crisis. Page 6

Key Irish vote

The first of two votes which could bring down Dr Garrett Fitzgerald's Fine Gael-Labour coalition will be held today when the Irish parliament resumes after the summer recess. Page 3

Swedish truce ends

Thousands of Swedish local government workers ended a three-day truce and went back on strike after talks failed to resolve a public sector pay dispute. Page 3

Thatcher to US

British Prime Minister Margaret Thatcher will make a brief visit to the US on November 15 to discuss the international scene with President Reagan following the Reykjavik summit.

BBC libel payment

The British Broadcasting Corporation agreed to pay libel damages and legal costs totalling £280,000 ($400,000) to two Conservative members of parliament accused in the current affairs programme Panorama of having links with far-right groups. Page 13

IRA suspect held

Alleged Irish Republican Army gunman William Quinn was flown from the US to Britain and charged with murdering a London policeman after losing a five-year battle to avoid extradition. Dutch ruling Page 2

Polish penalties cut

Poland said that lower courts could deal with some political offences, including illegal protests and publishing, which would mean lesser penalties. Page 2

Kampuchea appeal

West European and South-East Asian nations meeting in Jakarta urged the Soviet Union to withdraw its forces from Afghanistan and to influence Vietnam to pull out of Kampuchea. Page 6

Queen backs accord

Queen Elizabeth received a lavish welcome to Hong Kong and gave her support to a Sino-British accord that hands the British colony back to China in 1997. Trade encouraged, Page 4

Indian spectacular

Some 30,000 Indian screen stars and film industry workers jammed the streets of Bombay, drawing thousands of spectators, in a protest against a new tax on film making.

Olivetti chief in links with Ferruzzi

CARLO De Benedetti, Italian entrepreneur who controls Olivetti and other industrial groups, has entered a strategic shareholding and business alliance with Ravenna-based Ferruzzi group.

In another development, Italy's Montedison group broke off its five-month-long talks on the takeover of Sweden's Fermenta. Page 18

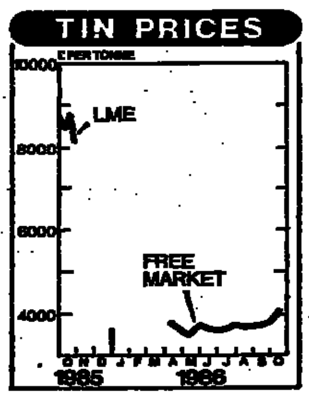
WALL STREET: The Dow Jones industrial average closed 5.34 down at 1,805.68. Page 42

LONDON: Equities were sluggish but gilts were firmer and the FT Ordinary index ended 0.8 higher at 1,265.20. Page 42

TOKYO: Prices fell sharply and the Nikkei average closed 317.60 lower at 16,205.77. Page 39

TIN SPOT price on the European free market climbed to £4,000-£4,030 per tonne, breaking the £4,000 mark for the first time in seven months. Page 34

TIN PRICES



DOLLAR closed in New York at DM 1.9845; SFr 1.6285; FFr 6.4990 and Y155.075. It rose in London to DM 1.0980 (DM 1.9870); FFr 6.5100 (FFr 6.5075); but fell to SFr 1.6295 (SFr 1.6305). On Bank of England figures the dollar's index rose to 109.5 from 109.4. Page 35

STERLING closed in New York at $1,433. It rose in London to $1.4365 ($1.4305); DM 2.8550 (DM 2.8425); FFr 9.3525 (FFr 9.3100); SFr 2.3400 (SFr 2.3325), and Y222.75 (Y221.50). The pound's exchange rate index rose 0.3 to 67.8. Page 35

GOLD fell $1.625 to $425.25 on the London bullion market. It also fell in Zurich to $425.05 from $426.25. In New York the December Comex settlement was $427.80. Page 34

ISRAELI Treasury warned that severe budgetary constraints next year were likely to dash the incoming Shamir Government's hopes of renewed economic growth and tax cuts. Page 6

US SPECIAL steel companies have filed an anti-dumping petition against two Swedish special steel producers in a rapidly developing dispute over Swedish steel exports to the US. Page 4

BOUYGUES, leading French construction and civil engineering group, has acquired control for about FFr 300m ($46m) of one of the leading department stores in Paris, Aux Trois Quartiers. Page 19

XEROX, US reprographics group, returned to profit in the third quarter helped by buoyant financial services operations. Page 19

CERUS, Carlos De Benedetti's French holding group, and Pechelbronn, holding group of the French Groupe Worms, have lifted their stake in Presses de la Cité, second largest French publishing group, to nearly 20 per cent. Page 20

GENERAL MOTORS Holden, the troubled Australian motor manufacturer, is to be bailed out by its US parent. Under the deal it is to be split into two divisions from December. Page 20

C. H. BEAZER (Holdings), leading UK housebuilder and property developer, revealed a 97 per cent rise in profits in 1985-86. Lex Page 18; Details, Page 24

LINDE, West German engineering and industrial gases company, expects turnover to rise 10 per cent this year and remains optimistic over profits. Page 19

US expulsions raise stake in superpower spy row

BY LIONEL BARBER IN WASHINGTON AND PATRICK COCKBURN IN MOSCOW

THE STAKES in the spying row between the US and the Soviet Union were dramatically raised yesterday when the US expelled 55 more Soviet diplomats.

The Soviet Union had earlier called for an end to the two month old expulsions and arrests row but strongly hinted that it might retaliate against any further expulsions of Soviet diplomats by the US.

The latest US move followed Moscow's weekend expulsion of five US diplomats and appeared as a direct snub to the Soviets request to cool the row.

The US action has revived the underlying tensions in the Soviet-US relationship and would appear to belie recent claims that they are close to a sweeping deal to reduce nuclear weapons.

The State Department, announcing the latest expulsions, said that five Soviets – four from the embassy in Washington and one from the Soviet consulate in San Francisco – had been ordered to leave by the weekend in response to Moscow's move.

Mr Charles Redman, the chief spokesman said that the 50 other diplomatic and consular personnel had been told to leave by November 1. This would bring the Soviet embassy and consular employees in the US to the same comparable level as representatives in Moscow and Leningrad.

Mr Redman said: "In taking the steps outlined the US has corrected a long standing imbalance in our relationship."

Mr Gennady Gerasimov, the Soviet foreign ministry spokesman had said before the news of the latest US expulsions, that it was time to "draw a thick line" under tit-for-tat expulsions.

Indicating however, there could be yet more retaliation he emphasised that Moscow had responded to the expulsion of 25 of its diplomats from the UN headquarters in New York by expelling only five US diplomats from Moscow. He strongly implied the number could have been higher.

Until yesterday's move, US officials had appeared to be reluctant to escalate the spying row which was triggered last August by the arrest on espionage charges of a Soviet scientist based at the United Nations.

President Reagan and his advisers have been stressing that there is a good chance of an arms deal with the Soviets, covering deep cuts in each superpower's strategic weapons arsenals.

President Reagan, referring to the Reykjavik meeting, said yesterday there was "ample reason for optimism" on arms talks. But the US move could seriously disrupt relations if the Soviets made good their threat to retaliate further.

US officials have however drawn a distinction between the arms talks and the spying row.

US officials have made clear their concern in recent months over Soviet spying, particularly in the area of high technology. The Senate has introduced legislation aimed at cutting the number of Soviet Diplomats, arguing that it is cheaper to throw out spies than hand over more funds to an already overstretched FBI.

Earlier this year, the US told the Soviet Union that it wanted a 40 per cent cut in its personnel at the United Nations to around 170 by April 1988. Officials have also drawn a distinction between Soviet representation at the UN and its embassy in Washington.

According to the new equal ceilings laid down by the US, the combined bilateral missions will have 225 slots for their embassies and 25 for their consulates general. The US consulate is in Leningrad.

The State Department refused to comment on suggestion from intelligence sources on Capitol Hill that the US would be relaxed about further reductions to the bilateral missions to a total figure of around 200.

The US said it regretted the Soviet expulsions last weekend but said that its latest action had corrected a long-standing imbalance in its relationship.

Moscow may now reverse its policy of portraying the Reykjavik summit as a partial success and take yesterday's expulsions by the US as a sign that President Reagan's Administration is not prepared to reach any agreements with the Soviet Union.

Some Soviet foreign policy makers have always argued that President Reagan and his Administration are committed to an anti-communist ideology which makes it impossible for them to reach an understanding with the Soviet Union.

Judging from the Soviet reaction to the expulsion of 31 Soviet officials and journalists from Britain last year, when exactly the same number of British were expelled from Moscow, Mr Gorbachev will now respond in kind and expel a similar number of US diplomats.

UK support for arms control, Page 18

IBM joins retreat of US business from South Africa

BY TERRY DODSWORTH IN NEW YORK

IBM, the world's largest computer manufacturer, is selling its South African subsidiary in a move which marks the culmination of the group's steadily increasing disenchantment with the economic and political situation in the country.

The IBM decision comes only a day after a similar announcement by General Motors (GM), the US motor group, and is bound to give further impetus to the accelerating withdrawal of US companies from South Africa.

GM, which employs 3,056 in South Africa, is the largest US corporation in terms of sales, generating worldwide revenues of $96bn last year. IBM, with 1,600 South African employees, has the largest market capitalisation, standing yesterday at $74.5bn.

"I think that many more US companies will be tempted to withdraw from South Africa under the cover of these two large corporations," said Mr William Howard, a minister with the Reform Church of America, and one of the early American anti-apartheid campaigners.

IBM did not give precise details of its withdrawal arrangements yesterday, but said that the "newly independent company" would fulfil the group's South African contractual responsibilities – an apparent reference to the continuing requirement for servicing its computers.

The new organisation, it added, would be headed by Mr Jack Clarke, currently general manager of IBM South Africa. It would market products parts and services from IBM, and "may represent other suppliers as well." No indication of how the purchase of the subsidiary would be financed was given by the US group.

Mr John Akers, chairman, of IBM, pinned the blame for the withdrawal firmly on the "deteriorating political and economic situation in South Africa," making no reference to the intense pressure that has been exerted for divestment by anti-apartheid groups in the US.

The company had consistently maintained that it would remain in South Africa as long as it could achieve an economically sound business and contribute to peaceful change, he said.

"By taking this step now, before our freedom of action is further limited, we can best carry out our responsibilities to our employees and our customers in South Africa."

MAJOR US COMPANIES DISINVESTING IN SOUTH AFRICA

Company	Employees	Year
GM	3,056	1986
IBM	1,600	1986
Carnation	1,043	1985
WF Corp	980	1986
General Electric	727	1986
Blue Bell	600	1985
Navistar	556	1985
Computer Sciences	550	1985
City Investing	500	1985
Coca Cola	485	1986

Source: Investor Responsibility Research Center.

Some anti-apartheid groups, while applauding IBM's decision, questioned the extent of the change that its sale would make to the South African subsidiary. There is a widespread belief that IBM, and some other US companies that have recently sold their assets in South Africa have to some extent made cosmetic alterations that will allow them to carry on business much as before.

IBM will apparently continue to sell its current range of computers in South Africa, where it is the dominant supplier, despite gains by Japanese companies recently. The products sold in South Africa are mainly exported from Western Europe, with smaller computers coming from the UK and the larger mainframes from France.

According to the Africa Fund, a leading anti-apartheid body in New York, IBM's sales in South Africa last year amounted to $180m – down from $236m in 1984 – giving it a 20 per cent market share. The US group, however, is believed to have a much larger hold over the market for large mainframe computers.

The South African business community last night expressed regret at IBM's move, and feared that the republic would inevitably fall behind in computer technology. Johannesburg businessmen were especially concerned by the fact that IBM had only given firm guarantees to supply its products for three years, and spare parts for five.

Continued on Page 18

Background and analysis, Page 6

Opec close to agreement on output quotas

BY RICHARD JOHNS IN GENEVA

THE ORGANISATION of Petroleum Exporting Countries was last night close to agreement on extending its interim pact on output control and sharing in a revised – and bitterly contested – form until the end of the year.

The accord in prospect would go a long way towards satisfying Kuwait's demand, opposed by a clear majority of members, for a 10 per cent increase in its 900,000 barrels-a-day (b/d) quota.

It would give the Gulf state an extra 20,000 b/d in November and 79,000 b/d in December, allowing it a permitted output in the last months of the year of nearly 1m b/d.

The complicated mathematical formula emerging from intensive discussions on the 18th day of the conference proposed that Saudi Arabia and the United Arab Emirates would contribute part of their increased entitlements to Kuwait's share.

The compromise was not made any more palatable to poorer producers of the group by the fact that the UAE is known still to be flagrantly violating its production quota.

Approval of an extra 40,000 b/d for Ecuador and 25,000 b/d for Gabon was also part of a package which was awaiting approval by a full ministerial session. But Qatar was understood to be baulking at the 10,000 b/d increase it was offered and insisting on an extra allocation of at least 20,000 b/d.

The provisional agreement also aimed to limit the increase in collective output to an average of 200,000 b/d for the rest of the year. The Opec ceiling notionally in force and actually observed in September, largely because of constraints on Iran's exports as a result of Iraqi military pressure, is about 16.8m b/d under the interim pact which expires at the end of this month.

After satisfying the demands of four member states, the remainder of the overall increase would be shared by the other members in line with the proportions originally set for production sharing in March 1983 and followed under the interim accord.

The ceiling is a notional one because of the impossibility of saying exactly how much Iraq, which was exempted from the arrangement, can actually export. In practice it should be regarded as over 17m b/d now that Saudi Arabia and Kuwait have made it clear that they regard the 300,000 b/d of crude produced by them – mainly from their shared neutral zone as "war relief" or a form of aid to Iraq to sustain it in its conflict with Iran – as part of Iraq's quota.

The likely outcome looked to be a convincing victory for the oil and financial muscle of Saudi Arabia and Kuwait clinched by the implied

Continued on Page 18

Block on foreigners taking big BA stake

By Michael Donne and Richard Tomkins in London

OVERSEAS shareholders are to be prevented from building up substantial stakes in British Airways after its privatisation by special provisions which will be written into the company's constitution, it was announced yesterday.

The measures will give Mr John Moore, the Transport Secretary draconian powers to stop foreigners from buying shares, to disenfranchise them or to compel them to sell all or part of their stakes in the marketplace.

The aim of the provision will be to prevent foreign ownership of British Airways from reaching levels which would jeopardise its status as a flag carrier for Britain on international routes.

Current air service agreements between governments require their national flag carriers to be substantially owned and effectively controlled by residents of the nations concerned.

The definition of "substantially" in this context has yet been put to the test, but British Airways indicated yesterday that foreign ownership of its shares would have to reach at least 25 per cent before alarm bells began to ring.

The company said the powers would only be used as a last resort, but were necessary to ensure its viability and would be in the interests of the majority of shareholders.

The measures were announced yesterday along with other prelimi-

Continued on Page 18

Gulf Resources in £750m bid

BY MARTIN DICKSON AND CLAY HARRIS IN LONDON

A £750m ($1072.5m) takeover bid was launched yesterday for Imperial Continental Gas Association – owner of the Calor Gas business – by Gulf Resources, a much smaller US energy company in which British businessmen David and Frederick Barclay have the main shareholding.

Gulf Resources has a market capitalisation of only about $130m. An important feature of the bid is the high level of borrowing – £670m – it has organised to fund the deal through a syndicate of UK and international banks, led by Standard Chartered.

IC Gas, advised by Morgan Grenfell, said last night that the terms of the unsolicited offer did not "fairly reflect the value of IC Gas's assets and potential." It urged shareholders not to sell their shares in the market.

The Barclay brothers are among Britain's most secretive businessmen, running a privately-owned group, Ellerman Lines, which includes large hotel and brewing interests. Ellerman's shipping interests were sold in a management buy-out late last year.

They hold a 34 per cent interest in Gulf, which is quoted on the New York Stock Exchange, and in effect have management control over the group.

Gulf, which is advised by Charterhouse Bank, revealed that it and its allies had already built up a 10.6 per cent stake in IC Gas – including a small quantity of shares it acquired yesterday morning when it made a market raid, offering to buy the company's shares at 530p. That was the price at which it launched its fill bid yesterday afternoon, with a loan note alternative.

However, shares in IC Gas, which have risen from 380p in May on bid speculation, soared further yesterday afternoon to close at 553p, up 38p on the day.

City of London analysts said this reflected hopes that the Gulf bid might flush out a higher offer from another company, notably Petrofina, the Belgian energy group in which IC Gas holds a 7.2 per cent stake.

But Petrofina said last night in Brussels: "We do not intend to make a bid against one of our shareholders."

In addition to Calor – Britain's major distributor of propane and butane – IC Gas has an extensive portfolio of shares in Belgian companies, many of them utilities, and has a 58.8 per cent holding in Century Power and Light, a UK oil and gas company with interests in several North Sea blocks. It also has onshore oil and gas interests in the US.

Gulf said yesterday that it would dispose of the Belgian portfolio, which is estimated to be worth around £250m – about half of IC Gas's net assets.

Gulf has to repay a "substantial" part of the bank loans backing the bid within nine months, and it said yesterday that the sum involved was slightly less than the value of the Belgian portfolio.

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EUROPEAN NEWS

The right wing's hopes have revived after last week's municipal elections, **Andriana Ierodiaconou** writes

Opposition gives Papandreou cause for worry

"WE HAD begun to believe that the law of gravity didn't apply to Papandreou—that he remained popular, no matter what he did. Now we are greatly relieved.

"Things are developing normally after all," one member of the conservative opposition remarked in the aftermath of the Greek municipal elections this week.

The discovery, based on the election results, that Dr Andreas Papandreou and his governing Pan-Hellenic Socialist Movement (Pasok) are subject to the laws of political physics after all, came as a surprise to most observers.

Until the first round of voting for mayors and city councils around the country two Sundays ago, the popular wisdom was that Pasok still topped the political league tables, if only by default.

Though voters were clearly not enamoured of many of the Government's policies, particularly the economic austerity programme introduced in the wake of Pasok's second general election victory in June 1985, it was felt that the conservative and Communist opposition both failed so demonstrably to provide a convincing alternative that Pasok remained the only political game in town.

As it was, voters took the opportunity to deliver a message of profound disaffection with the Government, which has been left with two matters to ponder between now and the next general election, normally due in June 1989.

One is the sharp drop in Pasok's popularity in the towns and the countryside in favour of both the conservative New Democracy Party (ND) and the pro-Moscow Communist Party of Greece (KKE).

The failure to operate a tactical alliance between Pasok and the Communists allowed the Conservatives to wrest control of the three most important cities of Athens, Pireaus and Salonika from the Socialists—the first time in Greece's political history that all three cities have had right-wing mayors.

The second fact is perhaps the most worrying for Dr Papandreou. It was the tactical support of Communist voters, responding to Pasok's appeal to block a return of the right to power, that helped the Socialists win the 1985 elections with a surprise 46 per cent of the vote—a remarkably small erosion of just 2 per cent relative to their first-ever victory in 1981.

This mechanism failed to operate in the second round of the municipal elections in which Pasok candidates were pitted against ND challengers in the three main cities, with the KKE and the small Euro-Communist Party (KK-es) holding the balance of votes, for two reasons.

The first was the deliberate decision by the KKE to in-

Mr Andreas Papandreou

struct its voters not to back Pasok in the specific case of Athens. The decision was taken after the Government refused in intense bargaining between the two rounds of voting to meet a Communist demand for a reform of the electoral system to give smaller parties greater weight in parliament.

This made a conservative victory a near certainty since the Euro-Communists did not carry enough votes to swing the election in favour of Pasok.

The second was the failure of KKE voters, who had been told to back Pasok against ND outside the capital, and those of the KK-es, directed to back the Socialists in all cases where they were pitted against the right, to obey the party line.

Instead most preferred to cast blank or invalid ballots or in some cases even to back conservative candidates in what Pasok later castigated as an "unholy alliance."

The voting pattern was interpreted as a symptom of Communists' alienation—shared by the radical left-wing of Pasok—with the Government's economic austerity policy, which includes a virtual freeze on wages and salaries, as well as a conservative turn in foreign policy including concerted efforts to improve relations with the US.

The Socialists can comfort themselves with the knowledge that Dr Papandreou is a consummate tactician, who has a good two and a half years in which to try to reverse the municipal election trends, before the next general election battle.

The Prime Minister will be working against other limitations, however. As regards the economy, the constraints of Greece's $17bn (£11.8bn) foreign debt do not really allow for a return to the recklessly expansionary policies of Pasok's first term in office.

In foreign policy, the Prime Minister can court the radical left by stepping up the neutralist profile he has cultivated through such ventures as an anti-nuclear peace initiative.

The key issue of the future of the four American military bases in Greece, however, expected to be on the table in 1987, is uncomfortably linked to vital military aid worth hundreds of millions of dollars annually, which Greece can ill-afford to lose.

The most important limitation, however, might turn out to be psychological. Until 10 days ago, the Socialists were the acknowledged winners and conservatives acknowledged losers in the Greek political arena. The shock of the municipal election results has now turned the tables dramatically.

On the eve of the municipal vote, New Democracy was a party in shambles. Lacking a coherent policy programme, demoralised after two general election defeats in a row at the hands of Pasok, it served merely as the setting for the hatching of Byzantine plots against Mr Constantine Mitsotakis, the party's leader and the scape-goat for its plight.

Now Mr Mitsotakis' position is acknowledged to be secure by even his most ardent opponents and it is taken for granted that he will be the man to lead the party to the next general elections.

The party still has to come up with a coherent programme. Its image, however, stands to benefit immeasurably from the rise to prominence through the municipal elections of two leading members of New Democracy's younger guard — Mr Miltiades Evert as Mayor of Athens, and Mr Andreas Andrianopoulos as Mayor of Pireaus.

Both technocrats and former cabinet ministers, both young by the standards of Greek political life, and above all both determined to avoid the divisive language of left- and right-wing politics which dates back to the bitter 1945-49 civil war, and which Pasok has used to advantage, they are the acceptable face of the Greek right.

It is the only possible face with which New Democracy can hope to prove that the municipal elections were more than a coincidence, and that Pasok, like Newton's apple, must inevitably fall.

A CAR BOMB exploded in Athens early yesterday killing the driver and causing damage to nearby cars a few hours after a time-bomb blasted a police station in the centre of the city, police said, Reuter reports.

The charred remains of the driver were pulled out of the wreckage of the car, which blew up in the eastern Athens suburb of Nea Smirni, they added.

Police could not say if the driver was a man or woman but had established that the vehicle belonged to a hire firm. No one immediately claimed responsibility for the blasts.

French schools, trains worst hit in one-day strike

BY DAVID HOUSEGO IN PARIS

STATE SCHOOLS and rail services in France were worst hit by the one-day strike over pay and employment called yesterday by trades unions representing public employees.

In the Paris area, two-thirds of primary school teachers failed to turn up for classes and just over 40 per cent of secondary teachers.

Mr Jacques Pommatau, the secretary of the Fen, the main teachers' union, claimed that it was the most widely-followed strike in 10 years and that across the country, 80-90 per cent of teachers had stayed away.

Rail traffic was also badly disrupted with only one in six trains running in the Paris suburbs and one in four on the main lines.

The Paris underground and bus service, however, ran much as usual, and though electric power capacity was reduced there were relatively few cuts.

The strike—the first major labour conflict since Mr Jacques Chirac's conservative administration came to power in March—coincided with a partial agreement between trades unions and employers over the once-explosive issue of redundancy terms.

The agreement, along with the mixed response to the strike, suggested that in spite of some specific areas of tension, the Government can still count on a further period of labour calm.

The private sector—which overall has been worse hit by redundancies—but where there has been less of a squeeze on wages—was not affected by yesterday's action.

The negotiations over redundancy terms followed the Government's decision in the summer to abolish the requirement that employers could not dismiss labour without prior approval of the labour inspectorate.

The move was made to increase flexibility in the labour market, and thus create more jobs.

But the Government warned at the time that unless unions and employers were able to agree fresh regulations governing redundancies, it would impose these itself by legislation.

Under yesterday's partial agreement, existing provisions in larger companies that give redundant workers five months retraining at 70 per cent of their former salary, were extended to smaller companies.

At the same time, the labour inspectorate will be allowed to delay redundancies for 14-30 days to ensure that employees have been properly consulted and redundancy terms presented.

Warsaw to scale down punishment for dissidents

BY CHRISTOPHER BOBINSKI IN WARSAW

POLITICAL opponents of the Polish government can in future expect to be tried by low-level misdemeanour courts and subjected to fines and short spells in prison, according to legal changes now awaiting approval from parliament.

Until now, most political offences have been tried by the criminal courts which have more often than not imposed longer prison sentences, thus boosting the political prisoner population.

Now, following last month's amnesty for political detainees, the authorities are keen to avoid a rapid filling up of the prisons, but need the means to contain political dissent.

These means, it appears, will be fines on Solidarity activists and short prison terms aimed to drain the movement financially while keeping the political figures low enough to avoid protests at home and abroad.

Mr Jerzy Urban, the government spokesman, yesterday confirmed that even membership of an illegal organisation, until now a criminal offence, will be shifted to the jurisdiction of the lower courts.

Yesterday, he also warned of a possible stiffening of official policies if independent-minded moderates continue to refuse to work with Gen Wojciech Jaruzelski, the military leader.

Mr Urban's statement came after a meeting last week between officials and senior Roman Catholics such as Mr Jerzy Turowicz, the editor of a church weekly published in Cracow, on participation in an official advisory council suggested by the General at the party congress last July.

Mr Urban's tone and his continued criticism of last week's appeal by Mr Turowicz, Mr Lech Walesa, the former leader of Solidarity, and others for a lifting of US sanctions would suggest that little progress on membership was made at the meeting.

IRA men can be extradited, Dutch rule

By Laura Raun in Amsterdam

THE DUTCH Supreme Court ruled yesterday that two men, said to be fugitive members of the Irish Republican Army, can be extradited to the UK to face charges for their alleged role in the 1983 escape of 38 inmates from Belfast's Maze Prison.

The final decision on whether Mr Gerard Kelly and Mr Brendan McFarlane will be extradited, however, rests with the Under-Secretary of Justice, Mrs Virginie Korte.

If Mr Kelly and Mr McFarlane were turned over to the British authorities, it apparently would be the first time that a West European country has extradited alleged IRA members to the UK.

Norwegian industry profits set to fall

By Our Oslo Correspondent

PROFITS IN Norwegian industry in 1986 will drop to half of what they were in 1985, according to a study carried out by the Federation of Norwegian Industry. Costs increased between 3 and 3.5 per cent more than earnings this year.

The federation has calculated that total costs in industry will increase 5.5-6 per cent this year. These figures are based on an estimated 8 per cent rise in wage costs, 1 per cent reduction in the number of man hours, and a 3 per cent increase in what is referred to as other costs.

At the same time, the Norwegian industry's revenues as a whole will only increase 1.5 per cent from 1985 to 1986.

Research spending plan creates rift in EEC

BY QUENTIN PEEL AND WILLIAM DAWKINS IN LUXEMBOURG

AMBITIOUS plans for the next phase of EEC research co-operation, costing Ecu 7.7bn ($7.8bn) over five years, yesterday left the member states deeply divided.

Britain, France and West Germany joined forces against their nine Community partners in an effort to cut both the cost and scope of the plans put forward by the European Commission. The smaller member states were equally determined to keep them intact.

The clash over research spending came to a head at the meeting of Research Ministers in Luxembourg, called to decide on the overall "framework programme" for EEC co-operation in new scientific ventures. Key areas include information technology, nuclear fusion, advanced telecommunications, biotechnology, and the application of advanced technologies to manufacturing.

Now Mr Geoffrey Pattie, the UK Minister for Information Technology and council chairman, must attempt to reconcile the opposing positions before the next meeting on December 9.

He insisted after the meeting that some progress had been made, while admitting: "There is still some way to go in finalising national positions (on financing the programme) and in reconciling them."

Mr Karl-Heinz Narjes, the European Commissioner responsible, argued in the meeting in defence of the programme. He said it had already been cut by the Commission from the original Ecu 10.35bn proposal to the current figure.

Of the four major industrial powers in the Community, only Italy was prepared to back the Commission plans, arguing that any further cut in spending would be unacceptable.

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EUROPEAN NEWS

Soviet economy on target for this year

BY PATRICK COCKBURN IN MOSCOW

THE SOVIET economy is on target for this year, but is likely to see a precipitate drop in foreign trade with Western countries, according to figures for the first nine months of the year.

National income rose by 3.7 per cent compared to a Plan target of 3.8 per cent, productivity in industry by 4.8 per cent and industrial output by 5.2 per cent compared with September last year, according to more-than-usually-detailed figures on the economy published in the Communist Party daily Pravda.

Total foreign trade is only 91 per cent of last year's figure and most of the 9 per cent fall is likely to be accounted for by the drop in oil prices and imports from developing and Western countries.

The good news for Mr Mikhail Gorbachev, the Soviet leader, is that oil production is rising again and on present trends should hit some 615m tonnes by the end of the year, compared with 595m tonnes in 1985.

Electricity output is up, but it is still too early to see the full impact of the Chernobyl atomic power station accident.

Pravda does not mention the commissioning of any new atomic reactors, indicating htat the nuclear energy programme as a whole—the centre-piece of Soviet energy planning during this Five Year Plan — has been slowed up.

Consumption of alcohol is down by 38 per cent, according to the figures which is in keeping with Mr Gorbachev's campaign against drunkenness.

Figures for national income are not directly comparable with previous months because of statistical changes. A rise in national income of 4.3 per cent is only 3.7 per cent, going by the previous definition of national income employed.

This may indicate a desire to show that improved economic management during Mr Gorbachev's first calendar year in office is showing results, but more statistics are also being made available.

These include grain production for the past five years which had previously been considered a state secret.

The daily Izvestia commented that in some industries such as cars and robots, high output did not mean that goods were in practice ready for use.

The improved economic results have been achieved almost entirely by traditional methods of management and not as a result of reforms introduced by Mr Gorbachev, most of which have yet to be applied.

Strikes break out again in Swedish public sector

BY SARA WEBB, STOCKHOLM CORRESPONDENT

STRIKES broke out again in the Swedish public sector yesterday following the breakdown in negotiations between KTK, one of the white-collar union confederations, and the employers.

The public sector strike, which started three weeks ago, had been lifted temporarily over the weekend in the hope that direct negotiations between the employers and the unions would result in some sort of settlement.

However, KTK, which represents about 300,000 municipality workers, has now called off negotiations with the employers and has brought 30,000 members out on strike, including nurses, hospital and child-care workers, and administrative staff. A further 200,000 are refusing to work overtime.

TCO-S, which represents 270,000 white-collar workers, has issued a strike warning and plans to bring about 8,000 of its members out on strike from next Tuesday, with another 26,000 refusing to work overtime.

Strike action by the 8,000 TCO-S members is calculated to stop goods trains from running, prevent the operation of two nuclear reactors, cut post office services, and slow down customs work at certain ports.

However, TCO-S is still holding talks with SAV, the state employers' organisation, and says there is a good chance that members will not have to be called out again.

Ms Marianne Swahn, on the TCO-S secretariat, said that both the employers and the union had agreed on how the pay rise would be split among workers.

However, the employers have said that they will noi go above a pay offer of 8.46 per cent for the two years 1986/87, while the unions are pushing for 9 per cent and for parity with the private sector.

The other union confederations, which represent the blue-collar workers and professional staff, are also still negotiating with the respective employers' organisations.

The public-sector strike promises to be one of the worst labour disputes that the country has seen

FitzGerald faces first of two crisis votes today

BY HUGH CARNEGY IN DUBLIN

THE FIRST of two votes which could bring down Dr Garret FitzGerald's Fine Gael-Labour coalition will be held when the Irish parliament resumes after the summer recess today. The votes have been called by Mr Charles Haughey's opposition Fianna Fail Party to try to force an early general election.

Today's vote, on the first day of radio broadcasting of the Dail (Lower House), is on a move by Fianna Fail to hold a by-election to replace one of its members who died during the recess.

It should provide a guide, though not a certain one, to the outcome of the second vote tomorrow on a Fianna Fail motion of no confidence which would *prompt an immediate* election if the Government loses.

The coalition is opposing the by-election on the grounds that it is unnecessary because a general election is due within 12 months, but the real reason is that an expected Fianna Fail victory could swing the parliamentary balance against it.

On paper, the Government is fragile because it is tied at 82 votes each, with at least two government backbenchers threatening rebellion.

But Dr FitzGerald is confident that he has secured their loyalty, plus that of one Independent, to give him a margin of victory of 83-81 in the confidence vote.

However, one backbencher, Mr Frank Cluskey, a former Labour Minister, was yesterday still threatening to vote against the coalition if he did not receive information he has demanded concerning the collapse of the Dublin Gas Company earlier this year, which the Government took over at enormous cost to the taxpayer.

Fianna Fail's assault on the coalition concentrates on the economy, with the Government set to run up a budget deficit equivalent to 8.5 per cent of gross national product this year.

A government statement promising tough borrowing and spending limits next year helped steady markets this week, but with the Irish pound still at 95.5 pence sterling and one-month interbank rates at 14 per cent, another interest rate rise is expected within days.

W. German union manager freed

By Peter Bruce in Bonn

MR ALFONS LAPPAS, the top West German trade union manager arrested on Sunday for refusing to talk to a Bundestag Commission about the controversial sale of the giant Neue Heimat property group, was set free yesterday, if only temporarily.

A court in Bonn decided to allow Mr Lappas, who is chairman of the union-owned holding company, the BGAG, to go free while it tries to establish whether his new reasons for not testifying are good enough to avoid further detention.

Mr Lappas, 57, appears to have told the court during a hearing yesterday that he is involved in legal proceedings in Cologne which render discussion about Neue Heimat impossible.

Mr Lappas, whose arrest has set off a sharp row between the unions and the Government, has been told not to leave the country.

Spokesmen for Mr Lappas were giving the impression yesterday that he would continue to refuse to testify, although the BGAG controlled Neue Heimat.

Government MPs on the investigating committee continued though to insist on his testimony, which remains legally enforceable.

AMERICAN NEWS

Nicaragua puts the US on trial

BY PETER FORD IN MANAGUA

EUGENE HASENFUS, the US airman captured in Nicaragua, is not the only defendant at his trial which opened in Managua on Monday. Nicaragua's Justice Minister, Mr Rodrigo Reyes, made clear in his presentation of the charges. The other is the US Government.

Mr Hasenfus was charged with terrorism, criminal association and violation of the public order law—crimes that carry a maximum 30-year jail sentence.

But the prisoner appeared only a minor character in Mr Reyes' formal charges, which treated him as merely the latest player in a long history of US aggression against Nicaragua.

Mr Hasenfus was captured on October 6 after the aeroplane in which he had been flying weapons to the US-backed Contra rebels was shot down over southern Nicaragua.

The charge sheet, read first in Spanish by Popular Anti-Somocista Tribunal (TPA) *president Renaldo Monterrey*, and then in English by a court-appointed interpreter, ran through the history of US-Nicaraguan relations since American filibusterer William Walker proclaimed himself president of this Central American republic in 1856.

The charges referred to repeated US military occupation of Nicaragua, to the Contra war against Managua, which Mr Reyes said had killed four times as many people as the Northern Ireland conflict, and to numerous international treaties which he said Washington had violated.

"This is a historic trial," Mr Reyes said. "It is not just the trial of Hasenfus, it is the trial of the United States *Administration.*"

"Hasenfus is a victim of that administration," he added.

"This is not the place to judge the Reagan administration," complained Sotelo Borgen, the American's defence lawyer, opposition member of the national assembly. The trial was taking on "political and propaganda characteristics," he said.

Mr Hasenfus is expected to plead to the charges today, when both prosecution and defence will begin calling witnesses and presenting evidence.

Eugene Hasenfus: minor character

Kohl urges Reagan to abide by ABM pact

BY STEWART FLEMING, US EDITOR IN WASHINGTON

MR HELMUT KOHL, the West German Chancellor, yesterday urged the US to press ahead with arms control negotiations with the Soviet Union, but told President Ronald Reagan he should stay within the terms of the 1972 Anti-Ballistic Missile (ABM) treaty.

The West German Chancellor told President Reagan that in the West German view the narrow interpretation of the ABM treaty as it relates to permissible research on the US Strategic Defence Initiative (SDI) is the correct one.

Mr Kohl, who is the first head of state from a Nato ally to be briefed by President Reagan on the outcome of the Reykjavik summit, is understood to have come to Washington sekking further clarification of the talks between Mr Reagan and Mr Mikhail Gorbachev, the Soviet leader.

He appears to have sought, too, to smooth over charges from Western Europe that the Allies were not adequately consulted on the talks. The Chancellor was said to have expressed his thanks for the consultative process surrounding the summit meeting and stressed that he was not critical of the US positions in the talks.

Chancellor Kohl's comments on SDI are significant since US officials have made it clear that the question of permissible research for the SDI programme was the major stumbling block which lead to the breakdown of the summit arms control talks.

Mr Gorbachev reported pressed President Reagan to agree to an even tighter restrictions on SDI than those permitted under the narrow interpretation of the ABM Treaty—something the President refused to countenance. Senior US officials have said that in the summit talks the US had in mind the broad view of the treaty

Nato Gleneagles meeting, Page 18

US plan to tax imports divides oil producers

By Joseph Mann in Caracas

LATIN AMERICAN oil exporting countries appear to be divided over a controversial US toxic waste clean-up bill which places a tax on imported oil from January next year.

President Jaime Lusinchi of Venezuela issued a communique yesterday calling the new US petroleum tax "unacceptable protectionist practice." He warned that if this precedent was followed by more levies on imported oil the terms of international trade will "deteriorate even more." His Foreign Minister, Mr Simon Alberto Consalvi, said that if Venezuela's export revenues were weakened by such measures its ability to repay its foreign debt would also be affected.

Other oil exporting countries, however, played down concerns about the tax, and said they expected to be exempted.

The toxic waste measure calls for higher taxes in several areas to finance a $9bn national clean-up programme. Starting next year, oil produced in the US will carry a $0.082-per-barrel tax while imported oil will carry a levy of $0.117 per barrel.

Venezuela has been trying to form a front among regional oil exporters—including Mexico, Ecuador and Trinidad—to oppose the US initiative.

WORLD TRADE NEWS

Airbus expects to break even on new jet

BY PAUL BETTS IN PARIS

AIRBUS INDUSTRIE, the European airliner manufacturing consortium, expects to chalk up more than 33 new orders for its A-320 twin engined 150-seater passenger jet between now and next spring, bringing total orders to more than 400 for the new aircraft.

Mr Jean Pierson, chief executive of the European consortium, confirmed that collaboration talks between the European consortium and McDonnell Douglas on the production of new long range airliners had failed because of "the impossibility to achieve industrial co-operation as long as our respective products are in competition against each other."

He is confident that the new A-320 will make its first flight before the end of next March. With the recent major order from Northwest Airlines, Airbus has so far received orders for 367 A-320s. Mr Pierson expects the number to increase over the 400 mark in the next six months.

Airbus expected to meet its financial targets on the A-320 programme whose break-even point involves the sale of 660 aircraft, he said. He hoped to sell more than 1,000 aircraft in the A-320 family during the 15 years of production of the jet airliner.

Airbus's new project involves the construction of the A-330 high density twin-engined medium range jet and the A-340 long range four-engined airliner, while Douglas is proposing to build a successor to its DC-10, the MD-11 tri-jet.

Airbus intended to be on the market with its A-330 and A-340 in the spring of 1992 said Mr Pierson. To meet this target, Airbus will have to launch formally its new programme by the end of the first quarter next year.

Mr Pierson said Airbus was currently negotiating with several airline companies as it plans to launch the new A-330 and A-340 programme next spring. Airbus is targeting on a total production of 750 aircraft including both the A-330 and the A-340. The joint A-330 and A-340 programme is expected to involve investments amounting to $2.5bn compared with $1.7bn for the A-320 programme.

Despite pressures from the UK and more recently from some quarters of the West German administration to see Airbus join forces with McDonnell Douglas on the development of their new long range airliner programmes, Mr Pierson said there was no chance of co-operation while the two groups competed with rival projects.

"It is pointless to co-operate if rival sales teams are currently fighting on the market to sell competing aircraft," he remarked.

Japanese airline to place $1.5bn order for 747 jets

BY CARLA RAPOPORT IN TOKYO

ALL Nippon Airways (ANA), Japan's second largest airline which is fast expanding its international operations, is to buy 11 Boeing 747 jets, including engines and parts, in a deal worth Y230bn (about $1.5bn).

The deal comes only a week after a decision by JAL, Japan's largest airline, to buy 11 Boeing jets for $869m.

ANA, which has recently inaugurated regular overseas flights, plans to spread the delivery of the jets over five years, with the first to arrive next year.

Three will be used by the company's cargo subsidiary, and the rest for its international routes.

The airline has ordered at least one 747-400, which features an up-dated cockpit designed for a two-person crew.

ANA currently flies between Tokyo and Los Angeles and Tokyo and Washington DC.

The order further cements Boeing's success in Japan — JAL flies the world's largest 747 fleet.

Daimler gets Turkish truck plant into gear

By Kenneth Gooding, Motor Industry Correspondent

MANY TURKISH "guest workers" have left Daimler-Benz's factories in West Germany to work at the new Otomarsan truck plant in Turkey which has now been brought into operation at the cost of about DM 77m (£27.09m).

Daimler-Benz has the largest individual shareholding in Otomarsan — 36 per cent of the DM 46m capital — and the Turkish company will be producing about 3,600 of the West German company's Mercedes trucks a year at the new factory at Aksaray, 240 km from Ankara.

As a result, Daimler-Benz expects to take truck market leadership in Turkey in three to five years' time and says the Otomarsan factory might be used to supply Middle East truck markets at some time in the future.

The factory, which employs 300, will eventually also produce about 600 Unimog, all-terrain vehicles; 1,200 G-wagons, Daimler-Benz's light, four-wheel-drive vehicles; and 7,000 diesel engines a year.

The aim is to lift the Turkish content, measured by ex-factory value, of the vehicles to 60 per cent within three years.

Otomarsan is already the biggest bus producer in Turkey at 1,500 a year, using Daimler-Benz designs.

It has 2,300 employees at its bus plant in Istanbul, has produced 17,500 buses since 1967 and exported 4,000 of them to near- and middle-East countries. The Turkish company claims to be Europe's third-largest bus builder after Daimler-Benz and Ikarus of Hungary.

Otomarsan's second-largest shareholder is Saudi National Automobile Industries with 11 per cent while eight Turkish organisations own the rest of the equity.

●HYUNDAI MOTOR of South Korea exported 213,460 cars in the first nine months of this year, up 171 per cent from the same period of 1985, AP-DJ reports from Seoul.

Hyundai said the figure accounted for about 99 per cent of Korea's overall car exports during the January-September period.

EEC agrees Mediterranean deal

BY QUENTIN PEEL IN LUXEMBOURG

A six-month-old logjam in negotiations between the EEC and its Mediterranean trading partners to guarantee their sales of exports like citrus fruit, wine and olive oil was broken yesterday.

The 12 member states agreed on a new negotiating mandate for the European Commission, offering further concessions to ensure the Mediterranean states that they would maintain their traditional export flows in spite of Spain and Portugal having joined the EEC.

The deal came when Spain finally accepted assurances that its own competing exports would not suffer as a result and, in particular, that the Canary Islands would not be affected.

The Spanish problem had completely disrupted the negotiations between the EEC and its Mediterranean neighbours, including Morocco, Algeria, Tunisia, Jordan, Lebanon, Israel, Syria, Egypt, Malta, Cyprus, Turkey and Yugoslavia, threatening to sour relations with those countries.

The issue had become a major point of principle within the Community because Madrid was in effect seeking to renegotiate the terms of its EEC membership set out in its Treaty of Accession, only months after it joined.

The solution will offer the Mediterranean countries increased quantities of exports such as citrus fruits, tomatoes, new potatoes, table grapes, orange juice and wine.

There will also be improvements in the terms proposed by the EEC for a customs union with Cyprus.

In return, Spain has not won a complete new deal on its competing exports, but rather the assurance of favourable treatment on a case-by-case basis, and specific concessions for the Canary Islands.

The agreement was given formal approval yesterday by EEC Research Ministers meeting in Luxembourg, to enable the stalled negotiations to be re-started immediately by the European Commission.

New move in US-Swedish steel row

BY SARA WEBB IN STOCKHOLM

A GROUP of US specialty steel companies has filed an anti-dumping petition with the commerce department against two Swedish specialty steel producers—Avesta and Sandvik—in the latest round of what is rapidly developing into a bitter quarrel over Swedish steel exports to the US.

The anti-dumping petition follows several allegations that the Swedish government has subsidised the steel industry and given Swedish companies an unfair advantage in the US market.

"This is the fifth action in the last 10 months directed by the same group for the same products towards the same companies. We feel this is a harassment," said Mr Gunnar Dandanell, who deals with Avesta's trade policy.

The petition was filed by the US specialty steel tubing group, which includes Al Tech Specialty Steel, Allegheny Ludlum, Armco Specialty Steel Division, Carpenter Technology, Damascus Tubular Products, and Trent Tube division of Crucible Materials.

It claims the dumping margins for various kinds of steel products range between 5.1 per cent and 101.2 per cent.

The Swedish companies say they do not have the full details of the allegations. However, Mr Gunnar Bjoerklund, managing director of Sandvik Steel, said his company intended to oppose charges of dumping. "We are of the opinion that we have not been dumping," he said.

Avesta and Sandvik have a joint venture called Avesta Sandvik Tube (AST) which they claim has betwee n2-5 per cent of the American market in stainless steel tubes and pipes.

The dumping row comes in the wake of US-Swedish disagreement over steel exports. Sweden has so far refused to fall in line with President Reagan's steel programme. The scheme was introduced in September 1984 with the aim of limiting steel imports from the so-called surge countries, to try to help the US steel industry.

President Reagan wanted total steel imports to be reduced to about 20 per cent of the US market by means of voluntary restraint agreements.

"It doesn't have to be a formal agreement, we just want the Swedes to cut their exports to traditional levels," says Mr Joseph Papovich, director of steel trade policy at the office of the US trade representative.

Sweden's exports of steel mill products (carbon and stainless steel) to the US tripled between 1983 and 1984, from 213,000 tons to 637,000 tons. Last year, Sweden exported 671,000 tons to the US, and in the first eight months of 1986, steel exports reached 394,000 tons.

Royal visit turns spotlight on UK

BY ROBERT THOMSON IN PEKING

THE APPARENT success of a Sino-British trade seminar, held in Shanghai last week to coincide with the Queen's visit to China, has prompted British trade officials to think seriously about organising a similar meeting in coming months.

However, while 16 British companies or consortia signed pieces of paper with Chinese partners at the seminar, only two of those were contracts. Both were for communications projects—one was signed by STC Telecommunication, and the other by Cable and Wireless of the UK.

The other agreements were letters of intent, memoranda of understanding and the like, with some signed simply to get things down on paper rather than to signify any significant progress in negotiations.

British Telecom signed a letter of intent to help develop telecommunications in the Chinese province of Zhejiang, and in particular, the port city of Ningbo.

An initial agreement was also signed by a consortium led by Britain's Davy Mckee for a $4bn steel plant at Ningbo. The Hong Kong businessman Sir Y. K. Pao had suggested that there would be a signing during the Queen's visit and the Chinese promptly produced a piece of paper.

But a representative of one of the companies involved said that "there is a long, long way to go" before a contract for the Ningbo plant was finalised.

Agreements were also signed for a food production joint venture, a telephone joint venture, and involvement in the Shanghai underground rail project.

British trade officials said the idea of the two-day seminar, with one day aboard the Royal Yacht Britannia and the other onshore in Shanghai, was to bring the partners into discussions and "push them forward so that something could be signed."

"You know that there can be a long lead time, so we wanted to create an atmosphere in which people could get down to negotiations. Most of the responsible people were there from both sides. It was getting down to brass tacks," a trade official said.

Peking company representatives said the benefit of the royal visit would hopefully be that Chinese commercial cadres "think British" and "buy British," though none of the representatives contacted by the Financial Times believed that Chinese companies would buy British if West German or Japanese prices were lower.

While not prepared to quantify the effect of the Queen's visit on Chinese markets, a British diplomat said that the Chinese government and company officials invited to the Britannia were "obviously thrilled" to be there.

"The immediate benefit is that Chinese officials look more closely at what British companies have to offer. I think they are seriously interested in doing business with Britain," the diplomat said.

He cited the case of a British company at the Shanghai seminar that had previously and unsuccessfully negotiated with a Chinese factory in Shenyang, in the north.

The Shenyang factory manager rang the British company in Shanghai and said he wanted to re-open negotiations, while the Queen was in China.

Australian MPs resist textile tariff cut

By Chris Sherwell in Sydney

AUSTRALIA'S heavily protected textiles, clothing and footwear industry is likely to remain shielded by high tariffs following the refusal of the ruling Labor party to accept large reductions in protection.

The party's parliamentary caucus this week spurned proposals to cut maximum tariff levels, from 134 per cent to 50 per cent, over a period of seven years up to 1996.

The MPs' resistance will make creation of a competitive industry more difficult and seems likely to weaken Australia's vocal international stand against the Government subsidy offered to European and American farmers, in order to promote agricultural output and exports.

The Labor stand follows a decision by the left- and right-wing factions within the party to join in refusing to allow the proposed tariff cuts to go below 75 per cent.

The MPs with an eye on the next election — due by early 1988 — are worried about job losses which a reduction in textile tariff levels would cause.

However, according to a study by the Industry Assistance Commission, employment in the industry would fall by around 20,000 or less than 3,000 a year — well below the annual turnover of 30,000 people a year.

Canada hits out at US import tax

Canada has expressed concern over US legislation imposing a surtax on all imports into the US and has promised "appropriate action," Mr Pat Carney, International Trade Minister said, Reuters reports from Ottawa.

A letter expressing concern over the surtax, which takes effect next year, was sent today to Mr Clayton Yeutter, the US Trade Representative, Mrs Carney told the House of Commons.

Mr Carney, who did not specify what action was planned by Ottawa, described the legislation passed last Friday, as a major protectionist move which violates US obligations under the General Agreement on Tariffs and Trade.

IBM deals a savage blow to business morale

BY JIM JONES IN JOHANNESBURG

IBM'S decision to sell its R400m turnover ($180m) wholly-owned South African subsidiary has dealt business confidence in the country one of its most devastating blows.

The effect of yesterday's announcement was doubly devastating as it came less than 24 hours after a similar decision by General Motors, the largest US employer in South Africa.

IBM tried to sweeten the pill by telling South Africans that divestment would not mean an interruption of supplies of IBM products and that the same people would be selling and servicing "big blue's" computers.

IBM is selling its interests to a newly-formed trust which will be managed by the company's present South African management and which will be operated for the benefit of all its 1,600 South African employees.

The US parent will provide finance to enable the new trust to buy the South African interests before November 12 when the US congressional ban on new investment comes into effect. It will take the undisclosed purchase price out of South Africa from future profits. General Motors is doing much the same.

Nevertheless some Johannesburg businessmen find the pill difficult to swallow. They point to the fact that IBM has only given firm guarantees to supply its products to South Africa for another three years and parts for five years.

They point also to IBM's frequent, though qualified, promises to stay in South Africa and they wonder when other foreign computer companies will follow IBM. None of them manufactures their products in South Africa.

One of the country's major banks, which recently made a significant investment in IBM mainframes and compatibles, is already nervous about introducing new financial products which can only be supported by sophisticated computer equipment. It is unsure about future availability of state-of-the-art equipment.

South Africans sometimes believe they can cock a snook at the world and build, say, another Sasol oil-from-coal facility to beat sanctions, but they forget that any such new plant might have to be designed around old-fashioned, comparatively inefficient control equipment.

Business groups such as Assocom, the Association of Chambers of Commerce, fear that though South Africa will have access to existing technology, it could in future have difficulty obtaining new technology. In fields such as computers, South Africa risks being left behind the rest of the world, with all the slow, corrosive economic effects that implies.

British companies set to stay

By Richard Evans

BRITISH companies, which have £12bn invested in South Africa, are unlikely to follow the US trend towards withdrawal, but some are considering diluting their interests.

Domestic pressures on UK companies to pull out are far less than in the US, and many industrialists and bankers continue to believe that substantial disinvestment would do more harm than good.

A typical reaction came from ICI. "We do not believe it is in the interests of our employees, shareholders or the black population in South Africa to withdraw

Unilever said it wished to stay in South Africa. "We do not think that disinvestment serves the interests of our employees there, who are an excellent example of how different ethnic groupings in South Africa can work together harmoniously."

Mr Neil Forster, of the British Industry Committee on South Africa, said the withdrawal of IBM was particularly sad as the company had done so much for its local black workers. "Disinvestment is a nonsense. All it means is that you lose all chance to influence events

Barclays Bank, which has been heavily criticised by apartheid groups for its involvement in South Africa, said it would continue to stay as a matter of commercial judgment. A spokesman said that Barclays National Bank, the largest banking group in South Africa, was, by its multi-racial employment policies, in the forefront of the liberation movement.

Terry Dodsworth and William Hall report on IBM's withdrawal from Africa

US pullouts turn from trickle to flood

SUDDENLY the trickle has become a flood. IBM's decision to pull out of South Africa only a day after General Motors announced plans to sell its operations to local management, has focused attention on one of the hottest issues in the boardrooms of corporate America.

GM and IBM are two of the top five companies in the US and among the leading overseas investors in South Africa. They are the most closely watched manufacturing companies in the US and everything they do has a ripple effect throughout the corporate sector. When they move they exercise a gravitational pull which is often difficult for others to resist.

Already this year there has been a substantial exodus of US companies ranging from household names like Coca-Cola, and Procter and Gamble, to less well-known companies like VF Corporation and Stanley Works. Over the last two years the number of US companies with assets in South Africa has dropped from 325 to 265, and some estimates put the number of remaining companies even lower.

The news from IBM and GM is likely to precipitate a further rush for the exit by US companies which are growing increasingly nervous about the political and financial situation of South Africa.

Yesterday several US companies were still insisting that they intended to stay in South Africa and were not going to be panicked into leaving. The Ohio-based Goodyear, which is the biggest tyre company in South Africa and one of the top four US companies in the country, said that it has always maintained that as long as it can continue to make a contribution in South Africa and operate its totally desegregated plant in a viable manner, it will remain in that country.

"We still think that this is the best decision for our South African employees and their families," said Goodyear yesterday. Johnson and Johnson, the leading US healthcare company, also said: "We continue to believe that our presence in South Africa is a force for peaceful change."

But these companies are proving to be increasingly in the minority. US boards of directors have come under heavier and heavier pressure to pull out of South Africa over the last 12 months, particularly since the escalation of political troubles in South Africa and the US decision to impose sanctions.

Indeed, one senior adviser to a major US company in South Africa says that the issue has been under "constant and frantic discussion" among senior US executives for several months.

The tone of their debate, he notes, changed crucially from the beginning of the year when many US managers thought that the South African Government could be persuaded to change its ways to a much more pessimistic assessment this summer.

Mr Roger Smith, the chairman of GM and one of the founders of the recently formed US Corporate Council on South Africa, is typical of this change in mood. He went out to South Africa on a fact finding tour in April and came back clearly discouraged by what he had seen.

"Something happened to that Government there that changed their mind, and they are not doing what I had hoped they would. Maybe the world did it to them. Maybe the siege mentality has set in," he said in an interview earlier this month where he first hinted that the company was reviewing its position on South Africa.

IBM chairman John F. Akers

Mr Smith's assessment at that time and the statement on GM's decision to leave South Africa this week, underline the reasons for the exodus. On one side of the equation is the position in South Africa itself, where the companies are faced with a business environment and a political situation, both of which are deteriorating rapidly.

On the business front most companies, having made a lot of money in South Africa during the 1970s, have been losing money steadily for the last few years.

On the political side, many US companies were arguing a year or so ago, that a policy of steady reform in South Africa would brings the economy back onto an even keel and justify a long term investment. Several companies also argued that they had a moral responsibility to stay and help foster the process of peaceful change.

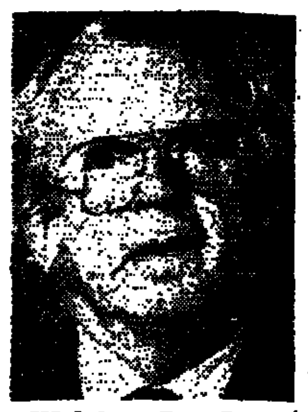
At home, US companies, active in South Africa, have come under increasing criticism from a variety of directions. Perhaps the most important pressure has been applied by some big socially aware institutional investors which have been selling billions of dollars worth of shares in companies with business ties in South Africa.

Over the last year alone the state of New Jersey has withdrawn $1.5bn and has now raised its target planned divestment of stock in South African related companies to $4.3bn. Governor Thomas Kean of New Jersey says that "we will not countenance the brutality that is apartheid by nourishing it with our investments!"

California is planning an even larger divestment programme totalling $11bn and another 18 states, as well as 68 cities and 119 universities from Harvard downwards, that are planning to sell over $30bn of securities

Up to now all this pressure has been on companies that are investing directly in South Africa, but it may be that criticism will move onto another level and be directed against companies doing any kind of business with South Africa.

It has not escaped the attention of the anti-apartheid lobby in the US that both GM and IBM products will continue to be freely available in South Africa. Like the Japanese, some US companies that have pulled out of the country have done licensing deals which means that their technology is still available there.



GM chairman Roger Smith

According to Mr Richard Knight of the Africa Fund, for example, Motorola having divested its investment in South Africa has since licensed the company which has taken over its assets to use its two-way technology.

There is a school of thought in the US, that the big American multinationals are following the examples of the Japanese companies, who have managed to increase their share of the local market despite government prohibition on direct investment, and using cosmetic changes in the ownership of their South African operations, to maintain profitable business ties.

Anthony Robinson profiles the resistance movement fighting for control of Mozambique

Shadowy colonial past of the MNR rebels

ELEVEN YEARS after the Mozambican National Resistance (MNR) was set up as the idea of Mr Ken Flower, then head of Rhodesia's Central Intelligence Organisation (CIO), it remains a somewhat shadowy organisation.

At regular intervals the movement's spokesman in Lisbon, Mr Evo Fernandes, issues reports on the progress of the civil war being waged against the Frelimo Government in Mozambique. But its operational commander and President, Mr Afonso Dhlakama, is little known, except to his guerrilla fighters and clandestine foreign supporters.

Mr Dhlakama is the son of a local chief in the Chibabava region of Sofala province who attended mission school before studying at an industrial and commercial high school in Beira. After graduation he joined the Portuguese army, then fighting against Frelimo. In 1972 he deserted and crossed the frontier into Tanzania to join Frelimo, becoming a company commander a year later. He was promoted in March 1975 to provincial commander in charge of supplies in Sofala province.

Two years later, however, he fell out with Frelimo, after accusing the new post-independence provincial governor of abuse of power. He crossed into Rhodesia where he met Mr Orlando Cristina, the man chosen by Mr Flower to head the Free Mozambique radio station, which broadcast anti-Frelimo propaganda.

This became the rallying point for disaffected Mozambicans willing to join the Rhodesian-inspired campaign of sabotage and disruption against Frelimo, which was deeply committed to assisting Mr Robert Mugabe's Zanu liberation army.

When Mr Andre Matsangaissa, the first commander of the MNR, was killed in 1979, Mr Dhlakama became leader. A year later, in March 1980, South Africa took over control of the MNR at the onset of Zimbabwean independence and airlifted many MNR cadres out of the country for training and indoctrination. They were then sent back.

The decision to support, supply and train the MNR was a key element in Pretoria's grand strategy of subverting and emasculating the newly independent, Marxist-orientated black states which had replaced the former comfortable colonial *cordon sanitaire*.

The MNR also received financial and logistical support from former wealthy Portuguese colonialists

In March 1985, exactly a year after the signing of the Nkomati Accord, under which South Africa undertook to end its clandestine support for the MNR in return for Maputo's expulsion of supporters of the banned African National Congress fighting against apartheid in South Africa, Mr Louis Nel, then South Africa's Foreign Minister, said in an interview that the MNR's main foreign backers were Mr Antonio Champalimaud, a former wealthy colonist now based in Brazil and Mr Manuel Bulhosa, resident in Portugal and former owner of the Lourenco Marques refinery and other business interests

Prior to his death 18 months ago, Mr Jorge Jardim, reputedly the richest man in pre-independence Mozambique, was the movement's main financier. Further aid came from Saudi Arabia, ostensibly in support of the 4m Moslems in the north of the country who had never shown much enthusiasm for Frelimo and its programme of secularising and de-tribalising the country. Saudi aid to the MNR was reportedly shipped into the country via the Comores Islands.

In a rare interview with a special correspondent of the Johannesburg Star newspaper last May however, Mr Dhlakama insisted that "our main supplier is Frelimo, our arms and ammunition are captured from Machel's army." In the same interview he stated: "The solution to the war will no longer come with an agreement with Machel. Now we will only negotiate with Frelimo's operational soldiers."

He added: "We insist that all foreign troops leave the country, especially the Zimbabweans. Then we can talk about the integration of military forces and of politicians in a Government of national reconciliation."

Before the death of President Machel in an aircrash on Sunday night, the MNR leadershop appeared to be pinning its hopes on divisions between Marxists, Africanists and pro-Western factions in the frelimo Government to oust the president.

Now, to judge by statements from Lisbon, the MNR intends to step up its military offensive, on the assumption that the death of President Machel removes the principal cement which has kept the demoralised Frelimo army together.

The danger now is that the threat of a renewed MNR offensive could be a major consideration in the succession struggle inMaputo. Given also the strained relations with South Africa, the temptation could be to choose a pro-Soviet leader, with a vief to seeking greater Soviet and/or Cuban military assistance.

The problem is that this has been tried in the past without much success and the willingness of the Soviet Union to step up its commitment to Mozambique is as yet an unknown and somewhat doubtful quantity.

It would, in any case, guarantee continuing hostility from South Africa, while reducing the sympathy and willingness to supply aid and military assistance from the West. In short, the clear-cut military solution sought by Frelino appears to be as much a chimera for the MNR which, despite its success in destroying Mozambique's economic and social infrastructure, has given no evidence so far of its potential as an alternative government.

THE Soviet Union, as maker of the Tupolev 134 which crashed on Sunday night killing President Samora Machel of Mozambique and 28 others, is to be invited to examine the crash site and take part in the official inquiry alongside Mozambican and other foreign experts.

The announcement by the South African Transport Ministry is designed not only to comply strictly with the letter of the Convention on International Civil Aviation, but also to allay the suspicions, voiced by the African National Congress (ANC) and the semi-official press in Zimbabwe and other front line states of South African involvement in the disaster.

The aircraft's "black box" has been recovered and was sealed by South African police in the presence of Mozambican officials while investigations continued yesterday at the crash site.

Mr Vladimir Novoselov, the sole member of the Soviet flight crew to survive the crash, claimed yesterday that the plane had been shot down.

One of the 10 survivors, who miraculously walked away unscathed, reported hearing a bang shortly before the crash as the pilot made his second attempt to land. But South African flight controllers monitoring the flight said the pilot appeared to mistake the lights of the South African town of Komatipoort for Maputo as he came into land in very poor visibility

Commission snubs Savimbi

MR JONAS SAVIMBI, the Angolan rebel leader, will not be received at any level by the European Community executive commission during his visit this week to the European Parliament, Mr Jacques Delors, Commission President, has told Luanda, Reuter reports from Brussels.

The Commission said Mr Delors gave the assurance in response to a letter from Mr Jose Eduardo Dos Santos, Angolan President, who had written to Brussels expressing concern about Mr Savimbi's visit.

The Commission said Mr Delors' reply noted that Angola had a special relationship with the Community through the Lome Pact on trade relations between the group and African, Caribbean and Pacific countries.

Mr Savimbi will go to the parliament building in Strasbourg today to address an informal meeting of members. He was invited by a group of 95 Christian Democrats, Conservatives, Liberals, French Gaullists and extreme right wingers.

Mr Savimbi leads the Union for the Total Independence of Angola (Unita), which has been accused of accepting South African aid in its struggle against the country's Marxist regime.

In London, Angola's ambassador to Britain warned that a possible visit by Mr Savimbi would seriously harm relations between the two countries.

Rioters wreck South African Airways offices in Harare

BY TONY HAWKINS IN HARARE

SEVERAL THOUSAND black youths rampaged through Harare yesterday stoning the Malawian, South African and US embassies and wrecking the offices of both South African Airways and Air Malawi.

Cars driven by whites were stoned and there were reports of whites being threatened and punched for refusing to recite anti-South African slogans.

Mr Pik Botha, South Africa's Foreign Minister, sent an urgent message to Harare asking the Zimbabwe Government to protect its trade mission (embassy), its airline office and their respective employees.

Eye-witnesses said the Zimbabwe police did not intervene in the demonstrations until the youths broke into the SAA airline building and the Malawian embassy.

The youths, some of whom were said to have been bussed into town in government transport, were demonstrating against South Africa's alleged complicity in the death of President Samora Machel of Mozambique. They attacked the Malawian High Commission and Air Malawi offices because of Malawi's alleged support for the MNR rebels in Mozambique.

One group of demonstrators tore down the flag at the West German embassy and tried to burn it before they were moved on by police, witnesses said.

The disturbance was one of the ugliest racial incidents in the six years of Zimbabwe's existence. Eventually the youths, apparently led by students from the University of Zimbabwe, were dispersed by Police who used tear gas to allow fire engines to reach the blazing SAA office.

Tear gas was also used at the central police station where youths gathered demanding the release of arrested demonstrators.

Meanwhile, the state-controlled media in Zimbabwe have suggested that President Machel's plane was shot down by the South Africans. Radio Zimbabwe reported yesterday that there were growing indications that the South Africans had brought down the plane.

In its editorial comment, the Herald newspaper said: "The most likely cause of the crash remains a direct South African attack on the presidential plane."

The attack on the SAA office comes at a time when there is growing speculation about Zimbabwe's promise to sever air links with South Africa as part of its sanctions campaign.

Diplomats say Harare is expected to announce a ban on flights to and from South Africa to take effect in mid-November. One British Airways weekly flight to Durban via Harare is likely to be re-routed via Botswana.

Israeli treasury warns of economic downturn

BY ANDREW WHITLEY IN JERUSALEM

THE INCOMING Shamir Government's hopes of renewed economic growth and tax cuts are likely to be dashed next year by severe budgetary constraints the Israeli Treasury has warned.

A preliminary draft of the 1987 fiscal budget, discussed at a meeting chaired by Mr Moshe Nissim, Finance Minister, last Friday forecast a drop in tax revenue of nearly $700m resulting from scheduled cuts in import duties and the ending of several temporary taxes.

Contributing to the revenue decline will be a 60 per cent cut in import duties on goods coming from the European Community commencing in January 1987. The Defence Ministry meanwhile, has asked for an extra $200m.

The worst headache of all for Mr Yitzhak Shamir, the new Prime Minister, is that next October Government guaranteed bank shares totalling $1.5bn fall due for redemption. They form the second stage of the potential $6bn bill taken on by the Government in October 1983 during the bank shares crisis.

A Treasury paper is believed to have warned that a return to recession was inevitable if immediate steps were not taken to cut next year's planned expenditure by several hundred million US dollars. This is on top of the $350m in cuts agreed this year which remain unimplemented.

The Treasury, the watchdog of economic conversatism in Israel habitually warns of the dire consequences for the Government and the country at large if the budget is not brought more into line with expenditure.

But the significance of its latest position paper is that it comes at a time when Mr Shamir has promised to return to economic growth as an integral part of what he called a "Zionist economy." Funds are unlikely to be available, for such pet Likud projects as increasing Jewish settlements in the occupied territories.

To make matters worse for Israel's economic planners the $1.5bn in US emergency economic aid which has provided a cushion for the economy over the past 12 months will not be repeated.

Palestinians to be charged

ISRAELI POLICE said they would bring to trial about 40 of more than 150 Palestinian teenagers arrested yesterday in the occupied Gaza Strip on suspicion of taking part in anti-Israeli demonstrations, Reuter reports from Tel Aviv.

Hundreds of high school students in Rafah, at the southern edge of the region, staged violent protests yesterday and on Sunday against 19 years of Israeli occupation.

Palestinians said troops yesterday chased pupils and hurled tear gas cannisters into one school that appeared to be the centre of demonstrations. Police said they had released 113 of those arrested yesterday in Rafah.

Those remaining in custody could face maximum sentences of five years' imprisonment and stiff fines if convicted of participation in illegal demonstrations, they said.

Israeli airman held by Amal says Berri

THE LEADER of the Shi'ite Moslem Amal movement, Mr Nabih Berri, said yesterday his militia is holding an Israeli airman who bailed out of his plane during an air raid on south Lebanon last Thursday, Reuter reports from Beirut

"The captive is with the Amal movement," Mr Berri, who is also Lebanon's Justice Minister, said yesterday at his office in Moslem West Beirut.

It was the first official confirmation that the airman was being held by Amal following conflicting reports about his whereabouts.

"The question that should be asked is not where or how the captive was arrested, but rather why the Israeli warplanes were bombarding the south—civilians and Palestinians," Mr Berri said.

Asked to comment on reports that a swap of prisoners was being planned, and whether a committee had been formed for the purpose, Mr Berri said: "We have not put forward any proposal in this connection. Before Israel asks for any prisoner, it should set Lebanon free."

Also in Beirut yesterday a shadowy underground group said it had "arrested" an American whom it said was a spy for the US and Israel.

A typewritten statement in the name of the "Revolutionary Justice Organisation," delivered to an international news agency in Beirut, identified the man as Mr Edward Austin Tracy

"It was established definitely that he has provided the (Israeli intelligence) Mossad and the US CIA (Central Intelligence Agency) with information," the statement said.

Laurel acts to mend Manila cabinet rift

BY STEPHEN BUTLER IN MANILA

THE Philippine Vice President and the country's Armed Forces Chief have moved to mend a rift in the cabinet in an effort to find a possible way out of a looming political crisis in the government of Mrs Corazon Aquino, the Philippine President.

Mr Salvador Laurel, the Vice President, said yesterday that he wanted Mr Juan Ponce Enrile, the Defence Minister, to remain in the Government and was seeking ways to keep the Government coalition intact.

One of Mr Enrile's principal critics in the cabinet, Mr Aquilino Pimental, the Home Affairs Minister, said he was declaring a "ceasefire" in order to settle the crisis, even though he still hoped Mr Enrile would step down from office.

Mr Enrile has come under pressure to resign after making a series of statements that were sharply critical of government policies toward communist insurgents. He has also questioned the legitimacy of the Government and suggested that Mrs Aquino ought to call new presidential elections.

Mr Enrile yesterday nonetheless persisted with one of his strongest calls yet for the Government to move swiftly to stem the growth of communist military and political power.

"While we continue to postpone the implementation of a holistic solution to the insurgency problem, our enemies are busy regrouping and stockpiling up their logistics," he said.

Laurel — mediating

"Time is running out."

Mr Enrile did not speak directly about the growing rift in the cabinet, or say how he would respond to calls for his resignation.

After delivering a speech to reserve army officers, Mr Enrile met briefly with General Fidel Ramos, the Armed Forces Chief, who later said, "We are all trying very hard to bring everybody together."

Gen Ramos is believed to play a pivotal role in the controversy, although he has not spoken publicly to the issues. Gen Ramos and Mr Enrile instigated the coup in February that led to the ousting of Mr Ferdinand Marcos from the presidency, and the installation of Mrs Aquino.

The dispute over Mr Enrile is expected to be aired at a cabinet meeting this morning, although the possibility has been raised that Mr Enrile will not attend the meeting in an effort to avoid a confrontation.

Soviet policy dominates Asean meeting with EEC

By John Murray Brown in Jakarta

SOVIET POLICY in Asia dominated discussions on the last day of the EEC Asean foreign ministers' meeting in the Indonesian capital, Jakarta, chaired by Sir Geoffrey Howe, Britain's Foreign Secretary, as president of the European Council of Ministers.

EEC ministers set out to gauge Asean's response to Mr Mikhail Gorbachev, the Soviet leader's Vladivostok speech in July in which he pledged to improve Soviet relations with Asia.

Moscow's support of Vietnam in its continued occupation of Kampuchea remains the common foreign policy preoccupation of the Asean group, which comprises Indonesia, Thailand, Philippines, Malaysia, Singapore and Brunei.

Dr Mochtar Kusumaatmadja, Indonesia's Foreign Minister, said "the Soviet Union should not underestimate the importance of a withdrawal from Kampuchea as a prerequisite of having better relations with Asean members."

Sir Geoffrey called on the Soviet Union to match words with deeds. Comparing Soviet policy in Afghanistan and Cambodia, he said: "The fundamental problems are the same. Foreign occupation is equally unacceptable whether it is on your own doorstep or a thousand miles away."

UK to reduce diplomatic staff in Lebanon

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT

BRITAIN is temporarily reducing its diplomatic staff in Lebanon by half for "security reasons," the Foreign Office disclosed yesterday.

Mr John Gray, the British Ambassador to Lebanon is currently in Britain and, though he is due to return to Beirut next month, reports from the Lebanese capital said that his return was contingent on events in the meantime.

The charge d'affaires in Mr Gray's absence is Mr Francis Gallagher, who is remaining in Beirut for the moment. Two other diplomats out of a total of four, and three wives of diplomats were withdrawn from Beirut earlier this week. However, the consular and visa sections of the Embassy remain open.

The Foreign Office said that the withdrawal of diplomatic staff was a temporary measure and that the situation was being kept under constant review.

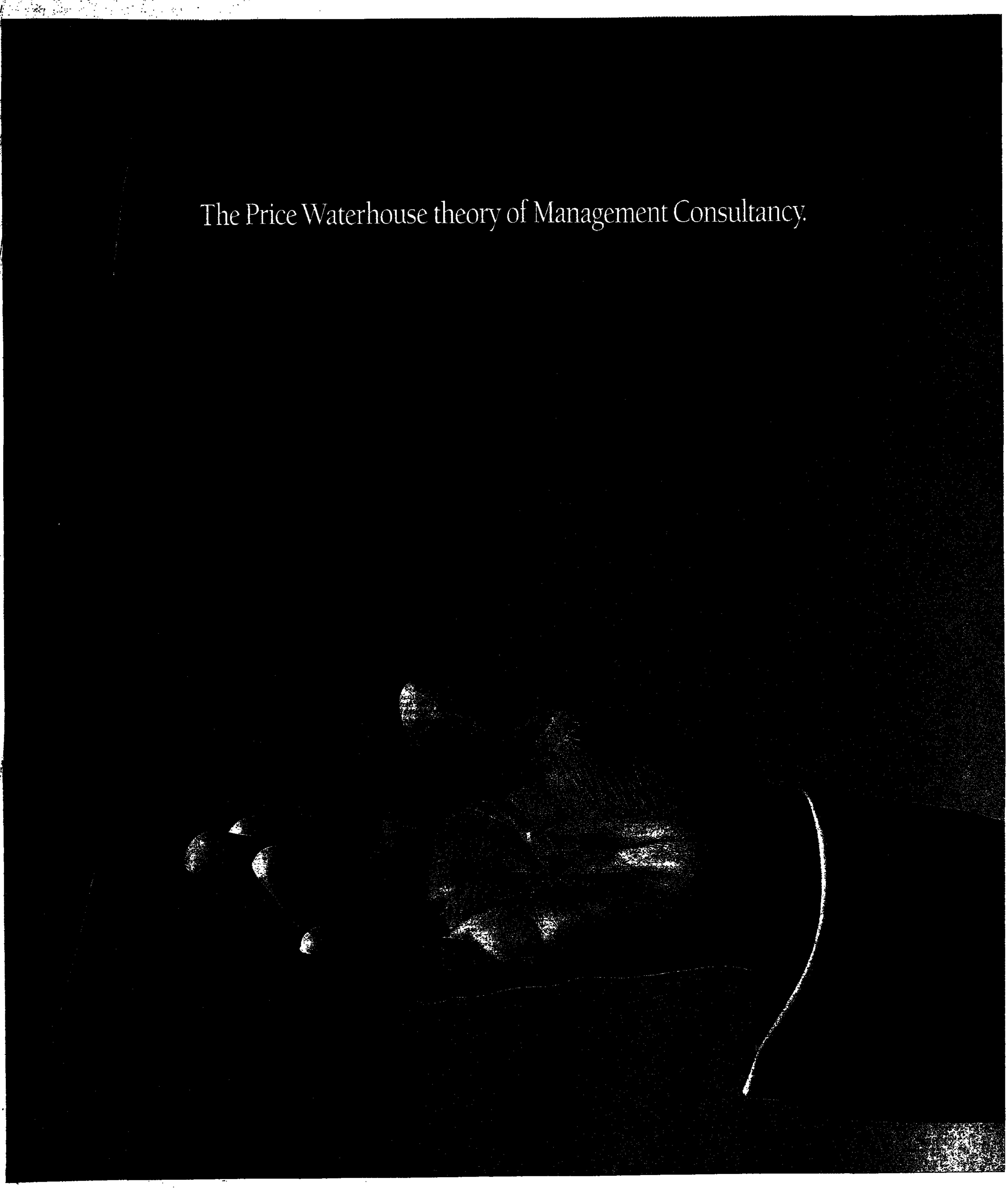
Officials refused to comment on reports from Beirut that the decision, which was taken at "ministerial level," was linked to the trial in London of a Jordanian accused of plotting to blow up an Israeli airliner.

The 32-year-old journalist Nezar Hindawi has pleaded not guilty to plotting to blow up an El Al aircraft by planting a bomb in the suitcase of his Irish girl-friend, who was about to board the plane when an Israeli security guard discovered the explosives.

Police alleged that Hindawi confessed that he was given the bomb, luggage for his fiancee, Ann Marie Murphy, a Syrian passport and $12,000 by a Syrian air force intelligence officer.

Mr Hindawi told the court he met the Syrian Ambassador to London and was given refuge by Syrian embassy staff after the contents of his girl-friend's luggage were discovered.

Yesterday, a judge rebuked the defence counsel for suggesting to the jury in his winding up speech that a Middle East war could erupt as a result of their verdict. The barrister, Mr Gilbert Gray, had told the jury that "another nation may take retribution" if they convicted Mr Hindawi. The judge, Sir William Mars-Jones, told the jury to keep cool and not to let "doom-laden statements" to affect their verdict.



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TECHNOLOGY

Cost savings from the smart card that keeps its distance

GEC says new venture will capture £50m market by 1990, **Elaine Williams reports.**

GEC, the UK electronics group, has entered the fledgling "smart" card market with a product system it claims to be more efficient and considerably cheaper than those offered by major rivals like Siemens of West Germany, Philips of the Netherlands and Casio and Mitsubishi of Japan.

The British concern estimates its new subsidiary, GEC Card Technology, will employ 500 people and have a market share worth £50m by 1990.

Smart cards are complete computer systems built into a conventionally-sized credit card. French companies such as Bull and Thomson were the first to develop this technology for financial and banking applications.

GEC's card, which it calls the ic, will be priced competitively against existing smart cards. Estimates are around £5 per card. However, the ic read/write unit which interfaces with computers and other control equipment will cost some five times less than the reading units for other smart cards.

Smart cards contain a microprocessor and associated memory, and, like existing magnetic credit cards, have had to be physically in contact with a read/write unit in order to transmit and record data. That was until the advent of GEC's ic card.

According to Mr John Stanford, marketing manager for the new card, it contains eight times the memory capacity of competing products.

More importantly, however, the ic card is contactless. John Stanford explains that this overcomes a major disadvantage of existing smart cards which is that the surface contacts which are needed to receive power and data can become unreliable due to dirt and wear.

The GEC card only needs to be placed near the read/write unit to pick up enough power to transmit and receive information. In fact, the card can be up to 20 mm away from the control unit and still perform its read and write functions.

Built into the card is a small coil of wire which when placed near an inductive radio frequency develops sufficient voltage to power the rest of the circuitry. This obviates the need for complex read/write hardware and thus makes the system considerably cheaper.

GEC's contactless system gives its ic card a life of more than two years. Conventional credit and smart cards usually have a life of about 15 months.

The card can be programmed for several different applications, such as the storing of fingerprint or pictures for security users.

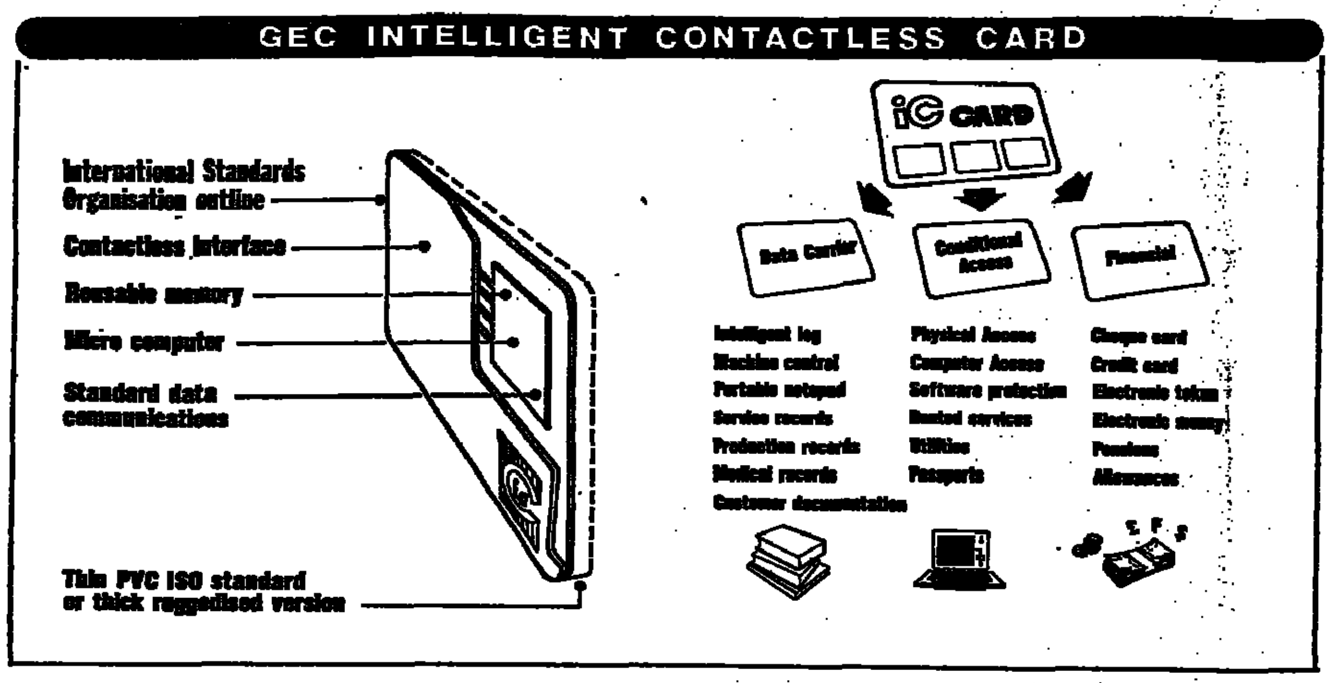
Mr Tony Kirkman, deputy managing director of GEC Avery, one of the GEC companies funding the new company, says only 50 per cent of the uses for the ic card are likely to be in the financial sector.

GEC Card Technology already has a number of pilot schemes operating with large potential users. Some of the trials are in computer security and cashless shopping. The list of potential uses, like those of rival smart cards, is long and includes: keeping track of high value equipment along the production line; logging the performance of machinery for maintenance; and acting as a medical record, passport or machine controller. It also has software security and access control applications.

GEC believes that it is the most advanced in the development of its contactless card, though AT&T in the US and LSI Card Technology in Japan are known to be looking at the technology.

The potential market for all types of credit-sized cards is estimated to be between £5bn and £10bn over the next decade.

GEC intends to produce two versions of its card—a rugged 5mm thick version which has already been developed for industrial and military applications, where standard credit-card sizing is not important, and a 0.76mm thick version for commercial and financial markets. This would meet standards laid down by the ISO (International Standards Organisation). The thinner card will be commercially available by May next year.



Westinghouse joins first US space station project

By Peter Marsh

WESTINGHOUSE, the diversified US engineering company, is to take part in a joint venture aimed at establishing the US's first space station.

The engineering giant, with interests in defence equipment, electronics, robots and nuclear reactors, has established a partnership with Space Industries of Houston, a small company which plans to place in orbit an unmanned space station in 1992.

The orbiting base, a canister about 35 ft long, would house experiments and manufacturing processes aimed at taking advantage of zero gravity. Dr Max Faget, president of Space Industries and an eminent space engineer, says Westinghouse will probably be the main contractor for making the canister, the design of which is due to be finished in 18 months.

"Westinghouse is an ideal choice for a partner," says Dr Faget. "The company has all the engineering skills we could require." He states that, in particular, the big company's expertise in power systems could be useful in organising the supply of electricity on-board Space Industries' capsule. This electricity will probably come via solar cells.

Under Dr Faget's plans, astronauts on space shuttles would visit the space canister every few months. They would leave processes which would operate automatically between their visits.

Dr Faget set up Space Industries in 1982 after a glittering career with the US National Aeronautics and Space Administration. As director of engineering and development at Nasa's Johnson Space Center in Houston, Dr Faget supervised the design and development of all the US's manned space projects from the Mercury programme in the early 1960s to the space shuttle.

According to Dr Faget, several US companies have expressed interest in renting portions of the orbiting base. One idea is to leave in the canister automated production units, to turn out such items as near-perfect semiconductor crystals under weightless conditions.

Other possibilities are that drug companies might be able to turn out new chemicals in the exotic conditions of space. Among the concerns interested in using Space Industries' hardware are, says Dr Faget, Boeing, Grumman, 3M and McDonnell Douglas.

Space Industries says it needs $250m to bring its project to fruition. Dr Faget has so far refused to disclose how the company plans to raise the money. Shareholders in Space Industries include a number of individuals in the Houston area. Brown and Root, the US construction company, also has a small stake.

The delay in shuttle flights, caused by the explosion in January on board Challenger, one of the four shuttles, has postponed by two years the launch date for Space Industries' first capsule. After this, the company plans to put several more canisters into orbit.

Despite the shuttle problems, Dr Faget says that interest in using space for celestial factories remains high. A factor in his favour may be that his own facility should be in orbit some years before the more grandiose space station planned by Nasa, which is unlikely to be operating before the mid-1990s.

Simple image speeds robot reaction time

ROBOT VISION is currently too slow, says Associate Professor Michael Morris of Rochester University, New York. This is because systems used have to deal with too much visual information at once. What is more, most of it does not contribute to the machine's ability to recognise an object or its features.

Rather than use more and more computer power to speed the process, Morris and his research team are trying to limit the amount of information with which the computer has to deal.

They are using a resistive anode photon counter, a device able to respond to a single photon of light. (Light, for this purpose, can be thought of as "particles" striking the detector surface and building up an image, albeit very quickly.) In addition, most of the incoming light from a scene is blocked by filters. The few photons to get through are easy for the computer to detect and record.

After a few thousandths of a second, the computer has enough information to be able to say what the object (or some feature of it) is, by comparing what is "seen" with a stored memory of the object.

Morris emphasises that the work is still at the basic research stage. It should mean, however, that compact computers of PC (personal computer) power can be used in "real time" image recognition rather than the powerful machines used at present, which are often too slow. More from the US on (716) 275 5140.

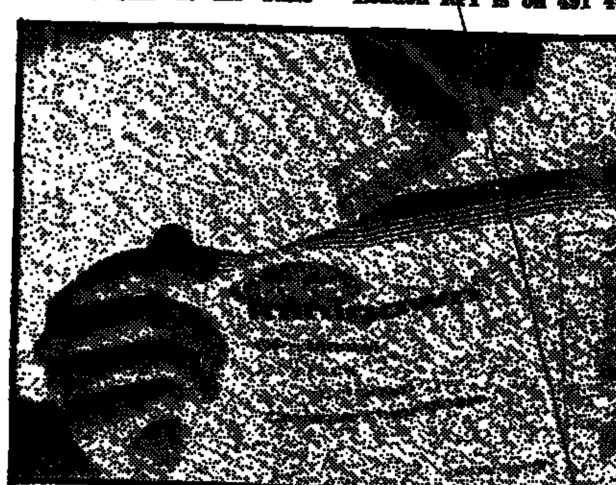
WORTH WATCHING

Edited by Geoff Charlish

DIESEL FUEL with no smell was put on sale in Italy last week by Kuwait Petroleum International (KPI).

A proprietary additive suppresses the characteristic acrid smell of diesel fuel, which is normally inclined to linger on hands and clothing. There has been a marked increase in the number of diesel vehicles, and KPI believes the new fuel will be welcomed by most users, particularly company sales representatives running diesel cars.

The fuel also has an anti-foaming agent which cuts spillage when tanks are full, and KPI says its product reduces corrosion, deposit formation and exhaust fumes. In London KPI is on 491 4000.



Clean tear to polyethylene wrapping from Teno of Sweden

Swedes straighten out packet opening problems

POLYETHYLENE FILM WRAPPING that tears in a straight line has been developed by the Swedish company Teno AB. Once a cut is started say, near one folded or sealed edge of a package, the whole edge will tear away in a straight line.

The material is available in thicknesses from 25 to 100 microns (millionths of a metre) and has a formulation that allows contact with food products. It can be used wherever polyethylene is normally utilised as a wrapping, and no special barrier properties are needed. Teno is in Norrkoping on 11 197500.

AFTER an accident or wartime damage the stability of a flooded ship can be quickly assessed using a computer system from Pacer Systems of Horsham, Pennsylvania (215 656 7800).

Normally, a damage control officer has to determine the water level in each compartment of the ship and quickly work out which to pump out or flood further in order to maintain stability. Often, by the time he has done so the conditions have changed or—in the worst cases—the ship is sinking.

The Pacer system, called Ballast, uses a Wang computer (or any suitable small computer already on board). This is programmed with the ship's details so that, when the officer enters compartment numbers and their flood level via the keyboard, the computer screen within a minute or two will tell him what to do.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RESOURCES

Canada's emergent mining groups chase higher investment profile

BY BERNARD SIMON IN TORONTO

NORTH AMERICAN mining analysts have done an unusual amount of travelling lately. From high in the US Rockies to the forests and lakes of northern Ontario and Quebec, they have been the guests of mining companies eager to attract attention.

A new generation of metal producers is changing the face of the North American mining industry and is showing off its mines and exploration sites.

Amax, Phelps Dodge, Noranda and Inco have dominated the industry in the past, but much of the running is now being made smaller, but fast growing, mostly Canadian companies, like Placer Development, Teck Corp, Echo Bay Mines and—at least until earlier this year—Falconbridge. Dome Mines of Toronto might also be included in the group, were it not for its 22 per cent shareholding in the struggling energy producer Dome Petroleum.

The new stars have evolved in the past two or three years from modest operations, some with just one or two mines, into diversified producers with mines and deposits scattered throughout North America and sometimes beyond.

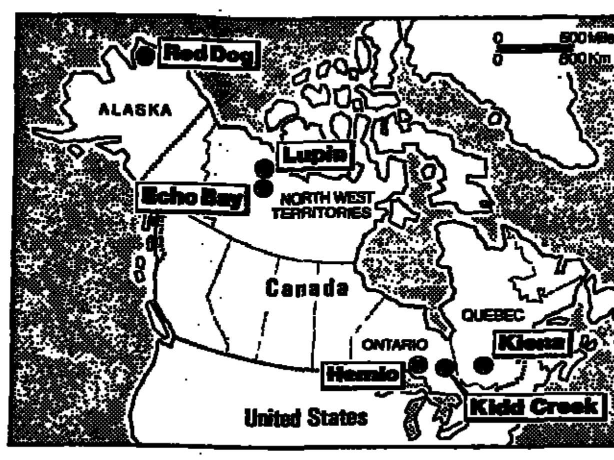
Many of their acquisitions have come from the big names of yesteryear which, burdened by debt and handicapped by weak commodity prices or sleepy managements, have been forced to sell assets. US oil companies and Canadian conglomerates like Canadian Pacific and Noranda have been among the vendors.

A common trend among emergent companies is their involvement in gold, one of the few metals which has continued to be profitably mined in North America. The recent rise in bullion prices has made gold mining even more attractive.

The recent prominence of some companies is explained by aggressive new managers whose backgrounds are as likely to be in accountancy as in mining or engineering.

In others, managers played safe during the last recession and avoided expensive acquisitions and the unwieldy debts which have plagued many of the largest mining groups.

Three transactions so far this year illustrate how the initiative is passing from the old generation to the new.



● Vancouver-based Teck, with interests including a stake in the rich Hemlo gold deposit in north-west Ontario, has joined forces with West Germany's Metallgesellschaft and MIM Holdings of Australia to buy a controlling interest in Cominco, the west coast lead and zinc producer, from Canadian Pacific.

Although burdened by debt, Cominco is on the verge of developing the world's richest zinc mine on the Red Dog deposit in western Alaska and has a stake in a British Columbia venture which is expected to be one of the most profitable copper mines in North America.

Within a month of the takeover, Teck replaced Cominco's senior management. Teck will finance the bulk of its C$100m (US$7m) contribution from cash reserves, and is giving high priority to reducing Cominco's debt.

● Echo Bay Mines, based in Edmonton, Alberta paid US$130m in September for the gold mining interests of Tenneco, the US resources group and gas utility. Echo Bay operated just one mine in Canada's remote northwest territories when it was spun off from its former US parent, IU International, in 1983. The company now has interests in six mines and is among North America's biggest gold producers.

● Cambior, a small Quebec gold mining group, became the vehicle earlier this year for the Quebec government's privatisation of its mining activities through a public share offering. As a result, Cambior has interests in four gold mines, as well as a property producing about 15 per cent of world supplies of the rare mineral niobium pentoxide, and about 50 exploration properties.

Other moves are almost certainly in the pipeline. Analyses predict that Placer, which had the sense to diversify from base metals into gold in the early 1980s, is poised to make a sizable acquisition. Placer's recent successes include the development of the Kidston mine in Queensland, Australia's biggest gold producer.

The four listed companies in the Dome Mines group are likely to be rationalised once Dome disentangles itself from Dome Petroleum. A Dome subsidiary, Campbell Red Lake Mines, bought control from Falconbridge earlier this year of Kiena mines in Quebec, one of the most modern and mechanised gold producers on the continent.

As the companies have broadened their horizons, their appetite for equity and debt finance has grown. As a result, they have become increasingly visible on North American stock exchanges and in international capital markets.

Echo Bay, for example, has issued more than 10m shares since early 1984, raising a total of C$124m to finance acquisitions and mine expansions. Its most recent financing is a SFr 75m ($46m) bond issue.

Mr Philip Martin, mining analyst at Gordon Capital Securities of Toronto, observes that while North American mining companies used to look no further than the US and Canada for funds, they are now actively wooing European investors too. About a third of Cambior's C$157m share issue earlier this year was raised in Europe.

The North American companies have been fortunate that their search for funds has coincided with many institutions' efforts to find an alternative to South African gold mine shares.

While the big South African mining houses are still in a league of their own, North American groups, like Cambior and Dome Mines, are starting to emulate them by putting several mines under one umbrella.

The greater appetite for funds and strong competition for the attention of analysts, bankers and portfolio managers has also encouraged the new generation of mining companies to take a higher public profile than the traditionalists. Hence the unprecedented number of invitations for mine tours.

Dome Mines, which has been in business for 75 years, made its first presentation to European investors in London, Paris and Zurich last May, and organised an analysts' tour to its mines in Northern Ontario and Quebec for the first time earlier this month.

According to Mr Douglas Scharf, Dome's chief financial officer: "It is quite a competitive environment out there. We want to ensure that people are aware of the quality of the assets in the group."

The rapid growth of companies such as Echo Bay also exposes them to greater risks.

Falconbridge has already suffered a sharp change in fortunes. As recently as the end of last year, the Toronto-based nickel and precious metals company was one of the most highly regarded North American mining companies. Sweeping management changes and determined cost-cutting had raised productivity and built up substantial cash reserves.

But a question mark has risen over Falconbridge since the company paid C$615m earlier this year for Kidd Creek Mines, the northern Ontario copper, zinc and gold producer.

Kidd Creek's facilities are among the most modern in North America. But markets for Falconbridge's main product—nickel—have weakened, and its balance sheet is now loaded with debt.

The one cloud over emergent leaders in North American mining is a concern that some may be tempted to bite off more than they can comfortably chew.

UK NEWS

Industry gives Lawson shopping list of proposed tax changes

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

THE Confederation of British Industry yesterday presented the Government with a shopping list of tax changes it would like to see in the next Budget to improve the competitiveness of British industry.

In its technical Budget representation to Mr Nigel Lawson, the Chancellor of the Exchequer, the business lobby put forward 58 proposals to improve the small print of the tax system.

The aim was to improve industry's competitiveness in international markets, make it easier for business to raise new capital, free industry from unnecessary complexities, and enable companies to offer better incentives for their staff, the CBI said.

It recognised the problems of fitting all the changes into a single, crowded, Budget, but repeated its demand of previous years that a separate technical taxation bill be introduced. The Government could then deal "with the anomalies and inconsistencies with which the present tax laws are riddled."

In its recommendations to improve the competitiveness of British industry, the CBI identified a number of priorities. The first was that exchange rate fluctuations on foreign-currency borrowings should be recognised for tax purposes to bring equity of treatment with Britain's overseas rivals.

The employers' group also said that the removal of exchange controls had made the requirement that companies obtain Treasury consent before they could become non-resident or before they could transfer shares in a non-resident entity both "unnecessary and onerous."

Turning to the deferred payment system for value added tax on imports introduced by the Government 18 months ago, the CBI said that the requirement that all companies provide a guarantee against payment was damaging small and medium-sized companies. It said that the Customs and Excise should instead introduce a discretionary system, applying the guarantee requirement only where there are good reasons.

In its proposals on the tax treatment of corporate financing, the CBI urged the Government to extend tax relief to the incidental costs of raising all types of finance, including equity capital. It also wanted tax relief for the discount of bills of exchange drawn by trading companies and business relief for all interest payments including those on short-term borrowing.

"All businesses require ready access to the ever-changing sources of funds available in international money markets. At present, UK tax law inhibits corporate treasurers from fully tapping these sources," the CBI said.

Another way that the Government could smooth the way for companies to raise finance would be to amend the rules covering the tax treatment of deep discount securities to encourage the adoption of such techniques.

The CBI's proposals to improve incentives and to reduce the burden of tax complexities on business involve a number of detailed changes to the tax system.

Nissan accelerates use of European vehicle components

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

NISSAN'S SUBSIDIARY at Washington, Tyne and Wear, in north east England, has completed a deal with the Japanese group's subsidiary in Spain which will help to speed the introduction of European components to cars to be assembled in Britain.

The two European Nissan companies are also discussing the possibility of joint component purchasing as well as the supply of some components to the UK factory from the Spanish subsidiary, Motor Iberica.

Nissan started assembling cars from Japanese kits at Washington this summer at the annual rate of 24,000. It announced last month that it is to go ahead with a second phase of the UK project to produce at an annual rate of 100,000 by 1991.

The group said the second-phase cars would start with a European Community content of 60 per cent measured by ex-factory value, rising to 80 per cent as soon as possible.

Mr Ian Gibson, purchasing director of Nissan Motor Manufacturing (UK), says one of the major constraints on the fast introduction of European components to the cars which will be built at Washington has been the lack of some large, specialised testing facilities.

The arrangement with Motor Iberica "gives us quick access to facilities rather than having to join a big queue." Some preliminary talks have also taken place about the type of components, if any, which Iberica might be able to supply to the UK plant.

Iberica, in which the Japanese company has a 90 per cent shareholding, has been producing the Nissan Patrol, a light four-wheel-drive vehicle, and the Vanette van for some time, Mr Gibson points out. "So obviously Motor Iberica has already reached the standards Nissan demands."

"But so far we have had only very brief discussions and have not yet reached the stage of clearing the issues."

Mr Gibson says the UK company will certainly look at the possibility of Iberica supplying castings but "castings are expensive to ship and we are not short of castings capacity near Washington."

He emphasised that the British company was under no pressure from the Japanese parent to give favoured treatment to Iberica. "Nissan treats every subsidiary as a stand-alone company. We do our own thing. Our major objective is to be a profitable company."

Unions seek a joint strategy over IBM

BY PHILIP BASSETT, LABOUR EDITOR

BRITISH trade unions are to take part in an internationally-organised initiative to press for trade union organisation in IBM, the world's largest computer company, which in the main does not recognise unions.

For the first time, unions with hopes of recruiting IBM employees into membership are to meet to try to draw some form of strategy which would offer some hope of penetrating the company.

The move marks a significant heightening of trade union interest in the possibilities, however difficult, of organising in the often non-union high-technology sector.

With parts of the service industries, unions in the UK see high-tech as one of the few areas of likely growth in employment, and therefore possibly trade union membership.

The move will be made at a conference, to be held in London on January 12 and 13, organised by three international trade union bodies – the Postal, Telegraph and Telephone International, the International Metalworkers Federation and the white-collar organisation Fiet.

UK unions able to attend will include the telecommunications unions, such as the NCU and STE, the white-collar unions ASTMS and Apex and private sector unions with a special interest in electronics such as the AEU engineering workers, the EETPU electricians and the manufacturing union Tass.

The PTTI said yesterday: "The idea is that people will be able to compare their experiences of dealing with IBM, a major multinational, in different countries. We hope we will come up with some conclusions about how we might organise in IBM."

Few trade union leaders with an interest in the high-tech sector underestimate the difficulty of trying to win membership in IBM. The company is widely regarded by union organisers as the epitome of an anti-union company, but IBM itself maintains that it is neutral towards trade unions.

It argues that, overall, it does not recognise unions because its employees do not want it to. IBM pointed out yesterday that at its plants in a number of countries union representatives sat on company councils, including establishments in France, Germany, Italy and The Netherlands.

The company has no unions at any of its 40-odd sites in the UK, and the last time that British unions – the AEU, ASTMS, Tass and the EETPU – tried to organise in the company, they were soundly rebuffed.

A survey by the Advisory, Conciliation and Arbitration Service found that throughout the company only 4.9 per cent of employees wanted a union to bargain for them with the company. More than 90 per cent said they would not join a union even if the company recognised one.

Accountancy firms seek foreign links

By Our Financial Staff

A TIE-UP between two medium-sized accountancy firms in the US and UK has led to the formation of Urbach Hacker Young International, which is seeking further member firms in Europe and in Canada.

Hacker Young, ranked 31 in the UK with £6m turnover and 250 staff, is forging a formal link with Urbach Kahn & Werlin, an Albany, New York firm ranked number 29 in the US, where it employs more than 200 people in six offices.

The link was described yesterday by Mr Stephen Fischer of Urbach Kahn & Werlin as the "first step in the growth of an organisation that will expand to serve our clients throughout the world."

Mr Frank Stansil, senior partner of Hacker Young, said the two firms had been working closely for three years. Both firms had a similar culture and client lists based on small and medium-sized listed companies and family companies.

Links with other accountancy firms were expected to be finalised in a few months. Firms in Canada, France and Germany were being given the highest priority with Belgium and Switzerland also high on the list.

"We are not competing with the megafirms," said Mr Fischer. "We are looking for independent firms of about our size which are not already tied up with somebody else."

Mr Stansil said: "The two founding firms complement each other ideally, being of a similar size and providing a similar range of services to a growing number of clients, many of whom are looking to exploit overseas opportunities."

UHY International will be run by an executive board consisting of Mr Stansil and Mr Arthur Harverd of Hacker Young and Mr Fischer and Mr John Wolfgang of Urbach Kahn.

Mr Stansil became senior partner of Hacker Young in succession to Mr Stuart Young, also the chairman of the British Broadcasting Corporation, who died in August.

Eurotunnel launches £206m funding plan

BY ANDREW TAYLOR

FINAL DETAILS of plans to raise £206m through an international share placing were unveiled yesterday when Eurotunnel, the Anglo-French channel tunnel consortium, sent out the full prospectus for the issue.

The consortium which is proposing to build a rail tunnel 31 miles long between Britain and France is to issue 8.58m units comprising two shares: one in Eurotunnel Plc the British arm of the consortium and the other in Eurotunnel SA the French company.

The units which are being offered only to institutional investors have been priced at £12 and FFr 120 for the two shares which will not be permitted to be sold separately.

The intention is to raise £70m each in Britain and France with the remaining £60m spread in roughly three equal tranches between Japan, the US and the rest of the world.

According to the prospectus, the notional overall rate of return to institutions, allowing for the consortium's assumptions for inflation and interest charges, will be 17.2 per cent gross over the 55-year-life of the concession.

In France the placing has been practically a *fait accompli* for several months. There also appears to have been reasonable interest from institutions in other countries, particularly in Japan.

In Britain the response has been slower although the feeling within the consortium is that it will just about achieve its £70m British target. Pledges from individual institutions so far range from £500,000 to £5m; with a further £5m pledge received yesterday.

Mr Richard Fullford, chairman of Scrimgeour Vickers, joint British brokers to the placing with County Securities, said yesterday: "I am sure we will achieve our target.

"Institutions are much more concerned about short-term investments that turn into long-term projects. If they know from the start that they are being asked to invest long-term they are quite perpared to look that far ahead."

Subscriptions for units must be made no later than 2pm British time and 3pm in France on Friday. No share will be issued unless all the units are subscribed for says the consortium.

The consortium plans a much larger £750m international share offer for sale next summer after which it will seek a quote on the London and Paris stock exchanges.

Kevin Brown writes: Ferry operators are trying to frighten potential investors in the tunnel by raising exaggerated fears about safety, the editor of Jane's World Railways claims in the foreword to the latest edition.

Mr Geoffrey Freeman Allen, the editor, says the "snarls" of the Channel ferry operators, which have been largely co-ordinated by Sealink UK, "ought to prove more ferocious than their bite."

The ferry companies are accused of raising "lurid visions" of a potential inferno on shuttle trains carrying cars through the tunnel caused by passengers tinkering with vehicle engines or "brewing tea over a open flame."

Mr Freeman Allen says investors should remember that decades of rail shuttle traffic through the transAlpine tunnels have caused no serious accidents.

In addition, new construction materials produced by British Rail engineering will make it possible to produce wagon mouldings which would be almost impossible to ignite and smoke-free if exposed to flame.

Jane's World Railways 1986–87; edited by Geoffrey Freeman Allen; published by Jane's Publishing Company, price £70.

Burroughs group hopes for £400m turnover

BY TERRY DODSWORTH

THE COMPUTER group formed from the merger of Burroughs and Sperry, the two US multinationals, expects to increase its sales in the UK this year and may well lift its pre-tax profits as well.

The buoyant performance of the group belies some initial scepticism over the merger in the computer industry, and indicates that fears of potential customer defections may have been overplayed.

UK sales are expected to amount to around £400m this year, while pre-tax profits will be in the region of £75m, putting the company around 100th in the UK earnings league.

Suggestions that the combined business would find it difficult to maintain the market share of the two constituent companies have hinged on difficulties it might have in retaining two separate lines of computers. Senior executives, however, have gone out of their way to convince customers that both the Burroughs and Sperry ranges will be kept and upgraded, thus protecting the heavy investment clients have made in the separate systems.

Commenting on the impact of the merger Mr John Perry, general manager of the combined group in the UK, said that a new marketing structure was being created to bring together the sales operation of the two constituent companies.

This division would concentrate on three areas – financial services, the public sector, and industrial and commercial applications – and would be making a particularly strong effort among the building societies which are expected to expand rapidly in the wake of the changes in their legal operating status.

Mr Perry added that the merger of the two companies would create opportunities for substantial savings. But he expected that most of the reduction in the labour force – an 8 per cent cut worldwide has been indicated – could be achieved by natural wastage and voluntary retirement.

Fabrication yard will stay open

BY MAURICE SAMUELSON

THE BIG fabrication yard at Loch Kishorn in north-west Scotland, now being run by receivers, will stay open at least until early next year while its 600 employees complete a large North Sea order.

The joint receivers, Mr Matthew McPhail and Mr Stephen James of KMG Thomson McLintock, say they have also received several offers to purchase the facility, owned by Howard Doris, until recently one of the biggest UK offshore fabricators.

Howard Doris last year merged with the John Howard civil engineering company to form the John Howard Group. It reported a combined turnover of £75m in 1985, just under half of it contributed by Howard Doris. When the group called in the receivers last month it was understood to be showing losses of tens of millions of pounds.

The uncompleted contract at Loch Kishorn, believed to be worth about £15m, is a gas treatment and compression module for Total Oil Marine's Alwyn North B platform, in which Elf UK is also a partner.

If Loch Kishorn is kept open, at least a nucleus of the present workforce is expected to be retained pending the receipt of other work.

However, some 500 Howard Doris employees have already been laid off at other Howard Doris fabrication facilities in north-east England.

Unlisted market raises £1.5bn

By Alice Rawsthorn

THE Unlisted Securities Market has raised almost £1.5bn for companies through flotations and rights issues since its inception nearly six years ago.

Some £367.2m was realised in the first nine months of this year, according to a report published yesterday by the accountants, Touche Ross.

In the first nine months of this year 73 companies went public on the USM. Together they raised £229.3m from the market, £111.4m of which went to existing shareholders with £117.9m being invested in their businesses. Since the USM's creation in November 1980, it has generated £1.03bn through flotations.

Rights and share issues on the USM have raised £137.9m in 1986 and a total of £399.9m since the market's formation.

Revised targets for BR may increase fares

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

THE GOVERNMENT yesterday announced revised financial targets for British Rail which will *reduce* the rate of return the corporation is required to achieve on its non-subsidised operations, but could mean substantial fare increases for London commuters.

Mr John Moore, Transport Secretary, said subsidies to BR's passenger services would be reduced by 25 per cent by 1989/90, following a cut of 25 per cent in the past three years.

He said this would probably require fare increases above the level of inflation in the Network South East area, while services on the provincial passenger network would have to be tailored "more closely to demand."

Mr Moore stressed that the Government was not asking for a programme of major route closures, but he instructed BR to review the prospects for introducing buses where this might be cheaper than maintaining rail services.

In addition, he confirmed that subsidies will be withdrawn from the Inter City network after next year, despite BR's failure to bring Inter City into profit.

The corporation's non-subsidised operations, which include the *freight, parcels and catering businesses*, will be required to achieve an operating profit of 2.7 per cent by 1989/90.

This is a retreat from the target of 5 per cent set three years ago by Mr Nicholas Ridley, the former Transport Secretary, and follows substantial problems caused by the miners' strike and the loss of major distribution contracts.

The required rate of return announced by Mr Moore is believed to be in excess of the level BR had wanted, but substantially below what was sought by the Treasury.

Sir Robert Reid, chairman of BR, said the revised objectives were "demanding but achievable." But the announcement was met with hostility by the Labour Party and the rail unions.

Mr Jimmy Knapp, general secretary of the National Union of Railwaymen, said the reduction in passenger subsidies was a recipe for swingeing fare increases in the South East which would cost the Conservatives vital votes at the next general election.

Visitor visa rules labelled racist

BY TOM LYNCH

THE NEW visa rules for visitors to Britain from India, Pakistan, Bangladesh, Ghana and Nigeria are racist and "an abuse of human rights" Mr Gerald Kaufman, the Labour Home Affairs spokesman, told the House of Commons yesterday.

He rounded on Tory MPs who heckled his attack on the Government, accusing them of "showing that they only give a damn for the human rights of those with white skins."

The exchanges came after a statement by Mr Douglas Hurd, the Home Secretary, during which he announced that the visa scheme would be implented for visitors from Ghana tomorrow.

Mr Hurd defended the visa scheme, arguing that it was *now* working satisfactorily in the interests of bona fide travellers. He said it was better to have the checking carried out in a visitor's home country rather than facing internment at Heathrow.

Mr Hurd scoffed at Mr Kaufman who, he said, "cut a ludicrous figure as he ambled around Heathrow assuring us that all these young men were genuine tourists. Are we to believe that these young men chose the third week in October to come to see the Tower of London?"

He argued that last week's rush at Heathrow had occured because many who wanted to settle illegally had decided to "try it on" under the old immigration rules. He accused Mr Kaufman of wanting "to tear a hole in immigration policy so wide as to make it meaningless."

In a statement, Mr Hurd said he would announce today new rules limiting the rights MPs have to delay the deportations of people refused entry to Britain pending a review of their cases.

It later became clear that 90 of those who arrived before Wednesday's visa deadline for the Indian sub-continent were still being held by immigration authorities, each of them after intervention by an MP to halt deportation.

Mr Hurd said the new rules would reflect the fact that the main decision on admissions would rest in future with officials overseas, rather than at the port of entry.

Samsung plans TV output at new plant

SAMSUNG, the South Korean industrial group, is to manufacture 300,000 colour televisions a year from 1990 at its new UK factory, **David Thomas writes.** It is the first Korean electronics investment in the UK. The plant at Billingham, north east England, will start producing video cassette recorders and microwave ovens next year.

Samsung expects to be producing 120,000 VCRs and 150,000 microwave ovens a year by the middle of next year.

UK sales of consumer electronics goods made by Samsung, the largest company in Korea, are approaching £30m a year. Mr H. Kim, managing director of Samsung Electronics UK, said: "The UK Government and its people have a most positive and welcoming attitude towards foreign investment."

□ **HALIFAX** Building Society, the UK's biggest lender to home-buyers, led the way for an industry-wide increase in the cost of home loans. It said it was increasing its mortgage rate to 12.25 per cent from November 1, a jump of 1.25 percentage points.

Other societies are likely to announce similar increases by the end of the week. Mrs Margaret Thatcher, Prime Minister, said in the House of Commons that the Government was ready, if necessary, to raise interest rates in order to keep down the pressure on inflation.

□ **BRITAIN**, West Germany, Italy and Spain yesterday signed a general memorandum of understanding on their participation in the £10bn programme to build the European Fighter Aircraft (EFA) for service in the mid-1990s.

The four countries' defence ministers signed the memorandum at the Nato Nuclear Programme Group at Gleneagles in Scotland. It formalises the arms co-operation deal negotiated in Turin in July 1985.

□ **WARD WHITE**, the acquisitive UK retail group, launched a £148m bid for LCP Holdings, a Midlands-based company whose interests range from car parts retailing in the US to investment property and builders merchanting in the UK.

But the offer was immediately rejected by LCP directors. "This is an unsolicited offer and has no commercial logic," Mr David Rhead, chairman of LCP, said.

He added that the company, which is advised by Schroders, had not received any approaches other than Ward White's recently and would not be looking for a white knight. "We intend to remain independant," he said.

Analysis, Page 24

Jaguar moves to calm pay frustration

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

JAGUAR CARS announced union agreement on a two-year pay deal for its 8,000 manual workers last night. The company headed off rising shopfloor militancy by increasing its pay offer in negotiations yesterday. The unions had been demanding a package including an immediate £20 a week rise. Jaguar put more money on the table to improve its original offer of 5.25 per cent in the first year and 4.25 per cent in the second. A key test of the new deal will come over the next few weeks as the company negotiates the time and effort required by individual workers in stepping up output of the recently-launched XJ6.

"JAGUAR is a great company to work for. But all the pride and success won't pay my bills. At the end of the day it's the money they pay that counts."

That was the harsh comment from one worker yesterday as he hunched his shoulders against the driving rain outside the Browns Lane assembly plant at Coventry in the Midlands.

For all the glamour of the Jaguar marque the factory – where Sir John Egan, the chairman, has pulled off perhaps the most publicised industrial recovery of recent years – presented a dismal sight yesterday.

Few people scurried from the massive gates through the rain to the local shop for lunchtime cigarettes and sweets. But those who did spoke of frustration and their belief that the efforts and changes made over the past six years should be reflected in a big cash pay award this time round.

That mood, demonstrated in a walk-out by thousands of workers in a dispute over time-and-motion men last week, has clearly taken both unions and management by surprise.

Union leaders confess in private that there will never be a return to the good old days in a city that has had its industrial heart ripped out by recession.

Jaguar management must have felt that it had done well by its workforce. Nearly 3,000 new jobs have been created in little more than two years to push the numbers employed to more than 11,000.

The company claims the average assembly worker is the best paid in the UK with a basic wage of £143 for a 39-hour week, a productivity-related bonus that regularly yields the maximum £42.50, and overtime opportunities that boost earnings to around £210.

Almost from the day he took over in April 1980, Sir John has tried to *carry the workforce with him* in an emotively titled "hearts and minds programme."

It is reflected not merely in the "open-door" policy on labour problems but also the Jaguar fun run in which the chairman takes part and the bonfire night party which draws a crowd of 15,000.

The shock was therefore the greater when on Thursday a group of workers on the pre-mount assembly track for the new car downed tools in protest at the role of industrial engineers, traditionally known as the time-and-motion men. Colleagues on the mount and trim assembly lines walked out in sympathy, to be joined by workers on the three corresponding tracks making the existing saloon cars.

The company stood firm, and insisted negotiations could not begin until there was a resumption of work. There were productivity benefits designed into the new car and they had to be realised.

The tough line persisted into Friday but the 800 workers overturned the recommendation of their senior stewards and voted to stay out until at least this Thursday. Word spread round the Browns Lane factory and according to the unions most workers had walked off the job by Friday night.

The company called in the senior stewards on Saturday and gave ground: it agreed to withdraw all the industrial engineers for 48 hours to allow discussions to take place.

The unions believed they made another breakthrough in the talks on Monday. The company conceded if there was a dispute between a worker and the industrial engineer over the time and effort required for carrying out an operation the shop stewards could be brought into the negotiation.

For the six weeks the new car has been *coming into production*, shop floor resentment has built up, with the company insisting that only the foreman should be involved in such individual talks.

More than that, and the reason the dispute spread so quickly, the Jaguar workers realised that over the next few weeks they will be negotiating the terms that will determine their working conditions for the next decade.

Output of the new XJ6 is running at only around 150 cars a week and must be pushed to 900. Jaguar is different not only in the quality of its products, the lower volumes and the longer time-cycle for operations, but also in its dependence upon one model.

Mr Chris Liddell, the local Transport Union official and a former worker at Browns Lane for 14 years, declares: "Industrial relations are different at Jaguar. This is a family atmosphere with everybody committed to success. There is a tolerance and the company knows it can draw upon the experience of its shop stewards."

He says Sir John has drawn heavily on that tradition and goodwill. "What the company has to recognise is that it has a motivated workforce that is delivering a great deal more effort. They simply want to see that performance reflected in their pay packet."

MPs win damages in libel action against BBC

BY DAVID THOMAS, RAYMOND HUGHES AND MICHAEL CASSELL

THE BBC yesterday agreed to pay libel damages and legal costs totalling £280,000 to two Conservative MPs accused in a Panorama programme of having links with far-right groups.

It accepted in the High Court in London that allegations made in the programme against Mr Neil Hamilton and Mr Gerald Howarth were false. However, the BBC immediately made clear that there would be no internal inquiry or disciplinary action.

The MPs are to receive £20,000 each in settlement of the libel action. In apologising unreservedly to them in court the BBC agreed to pay their legal costs which are put at £240,737.

In an agreed statement, Mr Charles Gray, QC, for the BBC, Mr Peter Ibbotson, Mr James Hogan, Mr Fred Emery and Mr Michael Cockerell, the four journalists named in the libel action, said that the statements had not been deliberate falsehoods.

Conservative Central Office yesterday refused to comment on reports that senior Conservative officials had contacted potential witnesses in the case. After the settlement was agreed, Mr Hamilton and Mr Howarth said they would be seeking a meeting with Mr Marmaduke Hussey, the new BBC chairman, "to discuss with him ways in which the Corporation's integrity can be restored, its political impartiality re-established and its legitimate editorial independence protected."

They issued a statement accusing Panorama of using techniques "worthy of Dr Goebbels" and saying their main concern was "the plummeting standards of professional journalism in some areas of the BBC."

Speaking on BBC radio, Mr Hamilton said: "If the individuals involved in the making of this programme were men of honour, they would resign." He added: "Where there is a failure of management control of such a catastrophic kind ... heads should roll."

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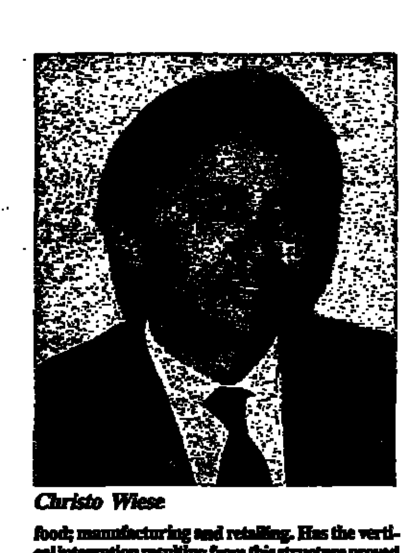
FOCUS ON COMMERCE AND INDUSTRY IN SOUTHERN AFRICA

Equal opportunity group goes for exports

Christo Wiese, chairman of the Pepkor group, talks to John Spira, Finance Editor of the Johannesburg Sunday Star.



Christo Wiese

Spira: Pepkor's exports have soared since the group first began exporting in a concerted manner two years ago. Why have you gone so aggressively for the export market and what are your future plans in this area?

Wiese: The deterioration in the exchange value of the rand has created an opportunity for South African manufacturers generally. For the country as a whole, a successful export strategy of manufactured goods can prove to be of great importance. Pepkor, being the second-largest clothing and footwear manufacturer in South Africa, means that we have a large manufacturing base, which can be easily geared to export sales.

A lot of our exports come from our horizontal manufacturing entity, the House of Monatic. Here, the competition on an international scale isn't quite as fierce as in the more basic commodities. This gives us an additional edge.

Against this background we've gone all out for exports and our future plans are to eventually match our exports with our imports in monetary terms, in this way creating our own forward cover both ways. Our total imports last year were R82 million and our exports were only R3 million, so we've a long way to go, although this year already there'll be a tremendous narrowing of the gap. Imports will be down to R65 million, while our exports will be up to R20 million.

Spira: You export mainly to the US and UK. Have you experienced any problems?

Wiese: Tariff barriers haven't been a problem in the categories of goods that we export. The problem — especially in the UK — has lain in the label of origin. Fortunately, on each occasion that we've lost a customer for political reasons, we've managed to gain two or three more.

We have special relationships with our foreign retailers, who've taken on the activists with the attitude that they (the retailers) are not prepared to be told what sort of merchandise they can or cannot sell.

The Pepkor group is, and has always been, an equal opportunity company and has in fact, throughout its existence, complied with all the principles contained in the so-called Sullivan Code, in this way ensuring that we make a contribution to the solution of a problem. Our foreign retailers appreciate this and have taken the stand that they will sell what they believe to be in the best interest of their customers. The success has been remarkable.

Spira: Do you feel the government is doing enough to promote exports?

Wiese: No. There hasn't been a concerted, clearly conceived, well-defined strategy to promote exports on an ongoing basis. The basis of the export incentives we have at present — where only those with a tax base can get the full benefits of the incentives — disqualifies a large number of potential exporters. That's wrong — and the government seems to be accepting that it's wrong.

Another problem with the present incentives is that they are based on a formula relating to expenses incurred in generating exports. It's the wrong way around, because the company that exports for R100 000 and incurs expense relating thereto of R10 000 is better off (if it has a tax base) than the company which exports for R100 000 but incurs only R1 000 in expenses in generating those exports.

The incentive should be related directly to the value of the export. The more efficient should be rewarded.

Spira: Although an increased interest burden plus large foreign exchange losses were primarily responsible for Pepkor's disappointing results in the year to February 1986, the figures also suggested that trading margins have been under pressure. Has there been a subsequent improvement?

Wiese: All group margins in the past few years in South Africa have been under pressure. Looking at Pepkor, bear in mind that the nature of the business has changed. Food retailing has grown faster than our non-food retailing business and this has clearly had an adverse impact on margins.

We're currently involved in a restructuring programme whereby each business in the group will be presenting its own sets of figures. Only once this process is complete will you be able to see precisely what is happening to margins in each sphere of our activities.

The current depressed state of the South African economy doesn't allow scope for improving margins but there hasn't been any deterioration since the end of our financial year.

Spira: Why have you found it necessary to implement a major reconstruction of the group and what do you hope to achieve thereby?

Wiese: Our gearing is unacceptably high. We were hoping to redress that problem via our rights issue last year but we suffered a foreign exchange knock. Ultimately, we considered that the best way of achieving an acceptable gearing ratio is to list our separate trading divisions on the stock exchange and then dispose of portions of them in order to reduce our debt.

There are other reasons. Internationally — and also in South Africa — there's been a move towards deconglomerating, because the investing public has tended to be confused when looking at conglomerates. In our case, we don't seem to get the full benefit of the star performers in our stable. So we want to be in a position to give clearly-defined, clearly-focused businesses to the investment community.

Structuring our businesses as separate entities also gives us the ability to create greater motivation for the various management teams. In effect, they graduate to a stage where their own fortunes are dictated by their own actions and not diluted by the results of other companies in the group.

Another factor is the tendency for bankers to have prudential limits for industries and businesses. Once they lend above a certain prescribed amount to a single company, it becomes risky, because the bank is exposed to one entity for a large sum of money. Banks feel more comfortable lending to the separate component parts of the same group.

Spira: At the conclusion of your programme, how many companies will you have listed on the Johannesburg Stock Exchange?

Wiese: We now have Pepkor and Pepgro, along with stock exchange approval for the listing of Pep Stores. The next step will be the listing of Shoprite (our food retail chain), followed by one or two further listings down the road.

Spira: Pepkor's activities comprise clothing and food; manufacturing and retailing. Has the vertical integration resulting from this structure proved successful, bearing in mind that it has come in for a measure of criticism?

Wiese: The criticism has abated over the past couple of years. More recently, criticism has rather been directed against our venture into horizontal integration.

Pep Stores/Ackermans is the dominant third world clothing retailer in South Africa, with far and away the largest slice of that market. One of its strengths is that it does have this vertical manufacturing arm. We believe it would be weaker without that resource.

For a retailer to manufacture can be very risky, although there are a number of retailers in South Africa who have been doing it successfully. One must be extremely disciplined in one's approach. Thus, we have laid down strict rules. We manufacture only very basic commodities. We don't fool around in the fashion area, where one could get badly burned. Further, only those items that are manufactured in massive runs are produced. Finally, we shall never manufacture more than a given percentage of our total requirements.

In only exceptional cases will we manufacture close to 100% of our requirement, because our retail buyers must keep their fingers on the pulse of the market. The variety in their stores must match that of their competitors.

For these reasons — that we have held strictly to our guidelines — our policy of vertical integration has been a great success.

Spira: Your most recent chairman's review contained the statement that for South Africa 1985 was a year characterised by "a deep sense of despair throughout the entire nation." Have you detected any lifting of spirits this year?

Weise: Yes, particularly in the past few months. The gold price has risen, interest rates have continued to decline and the government has primed the economy. All these factors have helped. True, people are still apprehensive because they can't see a clear political picture emerging and all of us are affected to a greater or less degree by the negative attitude from abroad. But, in general terms, South Africans have come to accept that the bark may be worse than the bite.

There comes a time when people start to come to terms with such negatives and begin to find ways around them.

South Africa is in many ways a fortunate nation — fortunate in that we are always given warning of clouds on the horizon. This gives us time to prepare for the coming storm. The arms embargo is the most obvious example. When that embargo was slapped on us in 1977, we were relying on imports for more than 60% of our armaments requirements. If at that stage we were to have become involved in a regional military conflict, we could have been in serious trouble. Eight years later, armaments comprise our single biggest manufactured export. So today we could more than take care of ourselves.

Equally, with the threats of boycotts and sanctions, we have been given an opportunity to prepare for those threats should they materialise into anything concrete. Let's face it, we've been having to contend with boycotts and sanctions for a number of years, though to a lesser extent than what is now threatened. We've been given the chance of putting things in place.

That kind of message is certainly helping to put more backbone into our people.

Moderate non-white South Africans must find it perplexing that during past years when we had hard-core apartheid in this country, large numbers of western companies and governments pumped billions into South Africa. Now that we have a government which has gone on record as stating that apartheid is outdated and that efforts are being made to bury apartheid, there's suddenly a cry that South Africa must be subjected to sanctions. In a perverse way, therefore, it seems that the West was intent on bankrolling apartheid.

So apart from all the rational arguments one can level against the lunacy of sanctions, this argument must pose an enormous dilemma for thinking people in the West.

I'm convinced that a year from now we'll look back and see that the bark was a lot worse than the bite.

Another negative is the concern over the threat to the stability of the nation from the extreme left and the extreme right. For the next decade or two, South Africa will have to beat off an onslaught from the non-democratic left (I do not see the lunatic right as a major threat). But this isn't cause for undue pessimism. There are many countries in the world which have to cope with that kind of situation. We shall simply have to learn to live with it.

Spira: The bulk of your domestic market comprises coloured and black consumers. Have past boycotts of white-controlled companies impacted adversely on your groups trading? Will this be a factor in the future?

Wiese: I don't believe this will be an important factor in the future, because by its very nature it isn't sustainable. The negative potential exists — and I'm glad it didn't develop that way — is that the disenfranchised people of South Africa could have alienated one of their staunchest allies by attacking the business sector. Business has always been in the forefront of fighting for a better deal for the disenfranchised. It was grossly unfair that business was perceived as being the soft underbelly of government. Ironically, it was aimed primarily at white shopkeepers — a strategy that didn't get at big business, because the loaf of bread sold by the black trader in the townships is supplied by white business. There's no way that white shopkeepers could ever be in a position to pressurise government into the kind of political reforms sought. Clearly, therefore, the whole thing wasn't properly thought through. Accordingly, it cannot be sustained.

The positive side has been that in many instances due recognition was given to businesses which were perceived to be sympathetic in the past. Our group, for instance, has not suffered to the extent that some others have.

Why? Because Pep Stores is recognised as always having been an equal opportunity company. For the past 12 years we've had an extremely successful partnership operation with the coloured community. And another with the Zulus in KwaZulu. They're genuine partnerships — not with puppets but with coloured and black co-shareholders. All these factors were recognised by those communities and we therefore did not suffer as badly as some other businesses.

During the past financial year, Pep Stores achieved two-and-a-half times the national average growth in sales. So if we were affected by the boycotts, we've certainly not been hit as badly as some others.

Spira: Clothing manufacturers enjoy a high level of tariff protection in South Africa. Do you consider this policy to be justified?

Wiese: We don't live in a perfect world and I think that in the past we may have erred by being somewhat naive in our view of fair international trade practices. It's been shown in most developing countries that textile and clothing manufacture is essential to the process of evolution. Therefore, there are industries which merit some kind of protection. The industry is the third-largest employer of labour in South Africa, so there's every justification for balanced and sensible tariff protection.

Spira: How would you characterise group labour relations and what has been the effect of non-white unionisation?

Wiese: We employ 18 000 people in our group (13 000 in our manufacturing divisions) and we have experienced no problems — probably because we are a people's business. Also, our stores are small units, which means that each manager knows every member of his staff intimately. This makes it difficult for the militant elements of the trade unions to gain a foothold.

On the manufacturing front, we have developed outstanding relationships with the unions, who know from experience that we don't fire thousands at the drop of a hat. In fact, during the recession we have continued to create additional employment opportunities.

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THE ARTS

Television/Christopher Dunkley

Look forward to Lost Empires

Thank goodness for Granada Television. Their seven-part filmed adaptation of *Lost Empires*, J. B. Priestley's novel about life on the music hall circuit just before the First World War, is the television event which was so badly needed. The 1986 autumn season had been looking tediously unremarkable with many of the promised goodies failing to come up to expectations.

John Mortimer's *Paradise Postponed* has not only remained structurally confusing with its repeated flashbacks to periods which often seem indistinguishable from the fictional present, but, as the episodes build up, the result seems increasingly like an over-ripe brie: soft and oozing and unpleasantly sour. Mortimer has a flair for the minutiae of narrative, so there is always some interest in what will happen next — will the young couple succeed in weaselling their way into the old lady's cottage, will the young pretender really con the old MP into stepping down—but the main characters are, almost without exception, deeply antipathetic.

Simeon Simcox is a rich sanctimonious clergyman, more concerned with politics than God. Henry Simcox is his scheming novelist son who has sold his soul to Hollywood. Fred Simcox is his other son, the stick-in-the-mud doctor with principles but no spine. Dr Salter is a cynic. Lady Grace Fanner is a snob. Charlotte Fanner is a suggestible hysteric. Doughty Strove is the stupid old Tory MP. Magnus Strove is his bullying hooray-Henry son. Elsie and George Titmuss are lower-middle class snob and inverted snob respectively. And of course Leslie Titmuss is what the series is really all about: an unprincipled social climber with ratlike cunning who will stop at nothing in clawing his way to the top of the Tory party. Ironically in view of Mortimer's declared left wing views, the only character portrayed with affection is the old aristocrat, Sir Nicholas Fanner, played by Richard Vernon with his usual seeming effortlessness.

The opening episode of *David Copperfield* displayed the BBC's usual good-looking Dickensian conglomeration of poke bonnets, horse-drawn carriages and master-servant relationships. A lot of it seems to go a short way, and although this series will no doubt continue the BBC's long habit of introducing new generations to Dickens adaptations, it can scarcely be expected to match the standards of last year's *Bleak House*, or even the BBC's 1975 version of *David Copperfield*, which benefited from Arthur Lowe as Micawber.

First Among Equals is a soap opera — or, more accurately, a British version of the American glitz series such as *Dallas* and *Dynasty* — with politics as a sub-plot, which is entertaining enough if you are marooned in an hotel room with 50 minutes to kill. *Inside Story* is one of television's better Fleet Street dramas (there have been several recently) but I doubt whether I would continue to watch if it was not my job.

The best comedies being shown this season, by a disturbingly long way, are *Fawlty Towers* and *Yes, Prime Minister*, both repeats. Some of the material now being included in *Alas Smith And Jones* is so poor that it can scarcely be called professional, and although Kenny Everett has introduced an entirely fresh "cast" for his new series, the first of the new shows lacked the rollicking wickedness and bite of the old ones.

Channel 4 has been turning out some good documentaries and current affairs programmes as described in last week's column, and BBC2 launched a new season of *40 Minutes* with a classic programme by Jenny Barraclough about the ballroom dancing championships in Blackpool. *The Story Of English* is still interesting even if no subsequent episode has been as good as the first, and London Weekend's *Tomorrow Land* did an excellent job first in showing the nature of the current boom in south east England, then in showing the difficulties that follow from that boom. Yet that was a most unusual one-off programme which could only momentarily alter the feeling that we have been experiencing a decidedly lacklustre season.

What was needed was a major programme event to stand as a milestone marking out autumn 86, and just such an event begins on Friday with the double-length opening episode of *Lost Empires*. One hesitates to go the whole hog and declare that "Granada has done it again," because that would imply that *Lost Empires* stands on a level with *Brideshead Revisited* and *Jewel In The Crown*, which would be going slightly too far. Priestley's story lacks the intellectual weight of Waugh's, and it has neither the philosophical nor the geographical scope of the Raj Quartet.

Yet in other respects this series carries all the unmistakable marks of Granada quality. It begins with a bravura sequence opening out from the music hall into the trenches of World War I, and it is a measure of the expertise brought together by producer June Howson that after all the other comparable dramas from *Oh What A Lovely War* onwards this does not seem old hat. Indeed, World War I has been on our screens as recently as in *The Monocled Mutineer*, with wonderfully authentic scenes, yet those in *Lost Empires* seem even more terrifyingly realistic.

But for all its realism, this scene serves mainly to point up the double meaning of the title (the British Empire and the Glasgow Empire, as it were) and to remind us that everything we are about to watch in flashback, the entire action taking place between November 1913 and August 1914, is backlit by the setting sun of the Edwardian era. The sense of a dying fall, presumably emanating originally from Priestley, is subtly sustained in the television series with its amber light and its aspidistras, as the action follows young Richard Herncastle around the variety theatres.

There is the occasional solecism. "She glowed in her costume like somebody had polished her," says Richard, and "Tell me Richard, do you want you and I to see more of each other?" asks Julie Blane. At the start when Richard's uncle, the illusionist "Ganga Dun," invites his nephew to join the act as backstage dogsbody the wage offered is £5 a week — surely an unbelievably high rate for a teenager in 1913. (I started work on the Slough Observer, half a century and two world wars later, at £3 17s 6d).

But those are niggling objections, and especially so since the great achievement of the series is the vividness with which it evokes that vanished world of weekly variety, theatrical digs, and Sunday train journeys from one end of the country to the other.

Before you can achieve the wholly believable period atmosphere of a work such as this you have to be willing to spend a lot of money (no doubt several million pounds on *Lost Empires*) but cash alone guarantees nothing. It is the accretion of expertise in department after department—location finding, prop buying, costumes, make-up, lighting — which leads to the final effect, and here we see the combination at its best. In *Lost Empires* you do not spot the same three vintage cars driving endlessly in and out of shot to generate period "traffic."

Yet such production values would all be useless, of course, without a good cast. Here again Granada has triumphed using the same trick as with *Brideshead* and *Jewel*: putting almost unknown faces in main parts with stars in supporting rôles. In the leading part of Herncastle, Colin Firth gets the same sort of opportunity as Jeremy Irons and Charles Dance before him, and magnificent support from Laurence Olivier as the tragically declining comedian Harry Burrard, and from Brian Glover as the bill topping Tommy Beamish.

Though life on the halls is the primary subject, Herncastle's sexual initiation is a major sub-theme and here, too, the production gains from a series of highly charged performances. In particular Carmen Du Sautoy is electrifying as Miss Blane, the grand actress from the legitimate theatre, brought down by drink. Miss Du Sautoy has something that Theda Bara and Marilyn Monroe had, quite indefinable yet unmistakable: a sexual penumbra which scorches the screen. Her scenes with Firth are amongst the best in the first half of a series which is, above all, splendid entertainment; a series to look forward to, week by week, which is precisely what we needed.

Colin Firth and John Castle in "Lost Empires"

Under Milk Wood/Greenwich

Michael Coveney

The new Greenwich Theatre season has a robust and characteristic look about it: new plays by Pownall and Gurney, revivals of Williams's *Night Must Fall*, O'Neill's *Desire Under the Elms*, Barrie's *Mary Rose* and Chekhov's *Three Sisters* (à la Frayn). A dull start, though, with Anthony Cornish's fussing and nebulous production of Dylan Thomas's prose poem of the village of Llareggub (read it backwards) waking up and going to sleep.

The idea is to provide a pictorial setting for a piece usually presented on rostra and bentwood chairs, a challenge to the conventional wisdom that the piece, written in the first place for radio, is better heard and not scenic. But the play, which is not really theatrical, stubbornly resists the treatment and then causes a few problems to boot.

By acting out the passages of descriptive narrative, the actors overload the poetry with the superfluous actions of villagers skipping down streets, rolling in the sun, catching fishy corsets, guzzling from empty beer bottles and changing costumes with more rapidity than the girls backstage at the Folies Bergères.

An eager cast of nine are still lumbered, though, with the magical narrator, the man who brings the town alive; Jeremy Blake, vocally stretched in sloppy jeans, sounds like a bad Richard Burton impersonation, his adenoidal twang impelling smoke-furled Myrmlons to gather round Captain Cat, or time to pass and dawn to inch its way above the skyline.

Belinda Ackermann (design) and John A. Williams (lighting) have devised a white hill town nestling beneath a semi-cyclorama of misty green hills that, despite its tufts of mossy damp, is almost Andalusian. Gilbert Wynne as the Captain presides from above while Cherry Owen and Mr Waldo (both Stephen Botcher) drink in the Sailors' Arms on the central platform.

I will credit Mr Cornish with organising his cast with some skill, but the rhythms and pleasures of *Milk Wood* will always derive from the voice, not movement. He mis-reads the Tynan review (quoted in the programme) that "all words intended to be spoken gain from the sight of the speaker." Sure, but not if he's jigging up and down. The action, anyway, is arbitrarily chosen. When Organ finds Cherry laid out on the tombstone, he sees not Cherry but a supine narrator. If the plan is to suggest that our host, Puck-like, both distributes roles and assumes them, something more sustained and galvanic must be done to convey the point.

The best interludes — I will skip Polly Garter giving a bare breast to a toy baby — are the sharply etched duets of the Pughs over cold grey cottage pie and the Organ Morgans worlds apart in chatter and reverie at the breakfast table. The respective ladies are beautifully played by Rachel Bell and Cynthia Grenville, the evening's best performers.

★

Yesterday afternoon, at the Lyric in Shaftesbury Avenue, Frances de la Tour gave a good but not coruscating account of a flat monodrama about Lillian Hellman by William Luce. Lillian (seen on Broadway, briefly, with Zoë Caldwell) is an inert distillation of Hellman's autobiographies, particularly those passages concerning her husband and friend Dashiell Hammett. Hellman recalls their love, life, and persecution by the McCarthy witch-hunt, as the unseen Hammett lies dying behind a screen. This is less trying and anodyne a piece than Luce's Emily Dickinson show, but only because Hellman herself was less trying and anodyne than Emily Dickinson. Hellman's been done to death anyway; and there's far too much name-dropping and self-justification in the ragbag, undynamic treatment. More performances on the coming two Sundays.

Alastair Muir

Rachel Bell

Cherkassky/Wigmore Hall

Dominic Gill

Cherkassky ended the trio of recitals he is giving at the Wigmore Hall this month to mark his 75th birthday with a Sunday Morning Coffee Concert — and there could have been no better place, and no better time, to celebrate the lighter and most intimate side of his art.

I remarked after the first recital two weeks ago that Cherkassky's genius is first and foremost textural and contrapuntal. The Liszt arrangement of Bach's G minor Organ Fantasy and Fugue with which he opened his 100-minute programme last Sunday morning was a marvellous tour de force of line and colour exquisitely interwoven — Cherkassky can separate five simultaneous contrapuntal voices on the piano with still greater clarity, and far more subtlety, than any organist. And his account of Greig's little E minor sonata op. 7 presented the art of the salon piano elevated to its highest plane. Like his *Kreisleriana* a fortnight ago, the Grieg sonata performance was in every aspect what great romantic piano playing is about: delicate, mercurial, shot through with vivid colour, irresistible in its dramatic movement.

Cherkassky delights in change: I have heard him play major works of the repertory many times, but I have never heard him give the same work twice in the same way. It is characteristic of the kind of artist that he is — and in particular of his voracious appetite for new musical perspectives— that his huge and ever-growing repertoire has neglected neither the music of the earlier part of this century nor the more recent music of the post war period. Leonard Bernstein's *Touches* is presumably a fairly new acquisition, and it suits him down to the ground — a serious, skittish exploration of the idiom of the Second Viennese School, half humorous, but only marginally tongue-in-cheek, full of splendid opportunities, which Cherkassky exploits to the full, to draw upon a palette of half-lights and delicate muted colours.

The recital's jubilant coda had two parts: a glittering, super-embellished concert hyperphrase of Chaikovsky's *Onegin* by his pianist contemporary Paul Pabst; and the classic Godowsky fantasy (far more indulgent than any mere arrangement) spun around Strauss's *Wine, Women and Song* — before sending us off to lunch in high spirits with a Boogie-Woogie ringing in our ears for an encore. To adapt, only slightly, the words I used after Horowitz's last appearance in London: almost nobody plays like this, as well as this, any more.

ZZ Top/Wembley Arena

Antony Thorncroft

I have always thought that heavy metal music was too exciting to be reserved for beer sodden bikers. Fortunately ZZ Top have arrived in town, filling Wembley with that respectable crowd that clings to eccentrics, and the rafters with their distinctive blend of Texan country metal.

Two-thirds of ZZ Top look like *Orthodox rabbis on the spree*, with beards instead of chests and an equally distinctive line in dress—frock coats and trucker caps. Dark glasses are worn when required. The other third, called perversely Frank Beard, hides his embarrassing lack of hair behind the biggest drum kit seen at Wembley since the massed bands of the Brigade of Guards.

The attraction of ZZ Top is the contrast between the ageing gents on stage, cavorting in unison in routine's learned from the early Shadows, ducking and diving their large white eccentrically-shaped guitars, and the music, which blasts out a few degrees above the pain threshold. They put on a show. The set is the inside of a flash car, with Beard in the driving seat; there is a laser beam which throws images of cars into the big black yonder while green and red lights dart around the auditorium like Tinkerbell.

Much of the ZZ Top image, perfected through its successful videos, of "good ol' boys" tracking through Texas in a red hot-rod picking up long-legged blondes, is rather lost in north-west London, and the sound is much too loud. It kills the subtlety which is hidden away in these mavericks' repertoire. Because the clincher for ZZ Top is that they are fine rock musicians, capable of a wittier, more melodic set than this bang, bang, thrash, thrash, despite its undoubted oomph. The audience loved it.

The Changeling/Cambridge

Martin Hoyle

Cambridge Theatre Company's brace of touring productions is completed by Middleton and Rowley's *The Changeling* played on the same basic set as their *School for Scandal*, reviewed in these pages by Michael Coveney. A box set dominated by an ornate central portico is here broken up by solid mobile screens on wheels, so modern-looking that one awaits the cricket score to go up on them. They swivel serviceably for poor Alonzo's fatal tour of the castle and come together to pen in the inmates of Alibius's madhouse. Cupboards within them open to reveal lighted candles and suspicious Alsemero's medicine-chest with that tell-tale virgin (or rather, non-virgin) detector.

The play lacks the black lyricism of Ford and Webster, the bilious misanthropy of Marston or the prurient Sunday-rag morality of the later Jacobean satirists. But it clearly charts the psychological fusion of the contemptuous beauty *Beatrice-Joanna* with the besotted De Flores. She uses him, she thinks, to kill an unwanted fiancé, but is herself ensnared, "the deed's creature," inextricably bound to the man she despised, now fascinated by him —a study of guilt-welded obsessiveness that oddly looks forward to our own country's *film noir* and the smouldering intensity of *Ossessione* (*Visconti* had a weakness for our Jacobean horror-plays, too) or *Double Indemnity*.

Bill Pryde's workmanlike, unatmospheric and lightweight production expresses little of this disgust turning to love. Tom Georgeson's De Flores is a cheery trickster who can plot murder in light-hearted banter with nothing rancorous or brooding about him, let alone that quality of personal grievance, springing from his ugliness, expanding to a general destructiveness that recalls Iago. "Now you move me," he exclaims when offered mere money for murder (he wants his employer's body), but the amiable, sometimes irritable haggling that ensues with Beatrice resembles the well-bred bartering at a church jumble sale. Mr Georgeson looks a trifle mature, not ugly enough (two make-up boils on his left cheek hardly suffice), sounds hoarse and thick-voiced, and on the first night had trouble popping (loudly) the blood-container fastened to his person during his suicide.

Late Georgian costumes come into their own with the women (the men tend to look alike): black lace, parasols and roses in the hair proclaim Goya as a visual reference. Alas, nothing of Goya's sombre fatalism emerges, perhaps because the production lacks a sense of passions repressed by rigid formality.

Rebecca Pidgeon makes a promising Beatrice. She begins unimpressively, not too convincing as either a bossy rich girl or a hot-blooded Latin; and her sudden wheedling of the hitherto despised De Flores would deceive nobody. But after the murder she assumes a new strength, and in a graver, darker, more intense production, might well carry the necessary weight for a character already in hell long before her soul, a "black fugitive," faces, we are assured, wraths deeper than mortal justice.

Andrew Wilde/Wigmore Hall

David Murray

The Dudley National Piano Competition, which has a goodish track record, was won this year by the 21-year-old Andrew Wilde, and he made his London début on Monday. He proved to be a solid sort of pianist, comfortably at home with the broad keyboard textures of Brahms and Chopin, especially in *forte*. He seemed to regard softer playing as a rare special effect, to be undertaken in a gingerly fashion and with visible effort. His steadiness was usefully complemented by some real flair for big dramatic gestures; his effective grasp of big formal proportions was not on the same level, nor was his primary-colours-only tonal palette.

Brahms was Wilde's strongest suit: he began with the Sonata in F-sharp minor, and many pages of it got the right sort of hefty eloquence. No whole movement, however, was carried through without some inertly routine passages, and of an overall dramatic plan there was no trace. The Brahms Sonata was eccentrically followed by Mozart's K 310, the great A minor Sonata. Wilde played it like sub-Brahms, and with much smudgy pedal — he cannot have thought seriously about what Mozart could have expected from the fortepiano (leaner sound, a drier bass, more clipped articulation), nor even listened to what serious Mozarteans have found in the Sonata.

Wilde's second half, devoted to Chopin, boasted somewhat more variety of touch, and he proceeded through the Barcarolle and the B minor Sonata with disarming technical confidence. Since his barcarolle-rhythm was devoid of lift or sway, the events that Chopin floats over it came one after another like plastic beads, and the gear-changes needed for the enraptured central interlude betrayed the grind of well-taught, unspontaneous duty. The *pianissimo leggiero* epilogue rang out like a Czerny exercise.

The Chopin Sonata was delivered with the same high competence, and similar imaginative blanks in key passages: in the poetic expansion of the Allegro, in the limpid Trio, in the whole of the Largo. In the Finale, sensibly paced, Wilde hammered the last recurrence of the tune "through the wood," as they used to say — always an admission that the movement has somehow gone off the boil (which it had). Wilde has recently changed teachers, and I thought there were clear signs of unassimilated advice, probably to the cost of honest impulse. Wilde will be more persuasive with his music when he has persuaded himself about it.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

October 17-23

Theatre

NEW YORK

Cats (*Winter Garden*): Still a sellout, Trevor Nunn's production of T.S. Elliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (*Majestic*): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

CHICAGO

Pump Boys and Dinettes (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

Galileo (*Goodman*): Brian Dennehy takes the title role in Bertolt Brecht's exploration of intellectual honesty in a repressive environment under the direction of Robert Fall, who has just taken over as the Goodman's artistic director. Ends Nov 1. (443 3800).

NETHERLANDS

Arnhem, Schouwburg. Gylan Kain and Lisa Sove in The Dutchman by Leroi Jones (Fri). (42 27 41).

Nijmegen, Schouwburg. Lamda on tour with Oliver Twist (Sat). (22 11 00).

Maastricht, Schouwburg. The New Vic Theatre Company with Chaucer's Canterbury Tales (Wed). (21 33 00).

TOKYO

Black Lizard: Yukio Mishima's play based on an old Japanese thriller and starring reowned Kabuki onnegata (female impersonator) Tammesaburo as the sophiscated attractive female jewel thief (the Black Lizard). Superb acting by Tammasaburo, excellent stage set and effects make the plot easy to follow, even though in Japanese. Aoyama Theatre, near Shibuya. (542 1817).

Kabuki (Kabuki-za): Kagamiyama Kokyo no Nichikie is a classic play about suicide and revenge among the ladies-in-waiting at the Shogun's palace. Good English programme and simultaneous commentary. Kabuki-za, Higashi Ginza (541 3131).

Kabuki (National Theatre): As part of the theatre's 20th anniversary Japan's most popular Kabuki play Chushingura (Revenge of the 47 Samurai) will be played in its entirely. Good English programme and simultaneous earphone commentary. National Theatre (265 7411).

The Real Thing: The Japanese version of Tom Stoppard's play, directed by Leon Rubin with Bungaku-za troupe starring Toru Emori, Kiwako Taichi, and others. Sunshine Theatre, Sunshine Bunka Kaikan, Sunshine City 4F, Ikebukuro (987 5281).

LONDON

Dalliance (Lyttelton): Tom Stoppard's new version of Schnitzler's Liebelei is a crushing disappointment only partly redeemed by Brenda Blethyn as the ruined working girl. A theatricalised travesty of the work adds to the confusion of middle-aged actors playing boyish dragoons in Peter Wood's numbingly respectable production. (928 2252).

Lend Me A Tenor (Globe): Fresh and inventive operatic farce by new American author Ken Ludwig set in Cleveland, Ohio in 1934. Dennis Lawson and Jan Francis lead an energetic company in mistaken identity romp, while Verdi's Otello carries on regardless. (437 1592)

When We Are Married (Whitehall): Matchless comic playing from an all star cast in Priestley's comic warhorse about silver wedding anniversaries undermined by an inconvenient revelation. Bill Fraser is a drunken Falstaffian photographer and the couples are led by Timothy West and Prunella Scales. The 1930 theatre has been beautifully renovated. (930 7765).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

Saleroom

Demand for British pottery and porcelain continues strong without sending prices up to silly levels. At Sotheby's yesterday the London dealer Jonathan Horne paid £7,480 for a British Delft polychrome portrait charger of King George I, made around 1715 and carrying a top estimate of only £1,500. The same buyer paid £6,380 for a slipware dish of around 1774, with a rare bird decoration.

Other top prices in the morning session were the £2,970 for a Birmingham enamel of around 1770 shaped as a doe's head, and £2,035 for a garniture of three wood obelisks of around 1800, one 41 cm high, the other two, 30 cm.

A.T.

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Wednesday October 22 1986

Unannounced non-policy

AFTER THE Chancellor's unimpressive performance in Bournemouth and at the Mansion House, the markets found it easy enough yesterday to shrug off the unattributable news that the Thatcher Government not only has no policy about the sterling exchange rate against the rest of the European Community, but has no intention of saddling itself with any potentially embarrassing commitments this side of a general election. It will not be until there is a further piece of shock information—another set of really appalling trade figures, or a sharp fall in the oil price—that the Government will again learn that an absence of clear objectives can also cause embarrassment, with sterling drifting down and interest rates struggling to rise yet further.

The Prime Minister may have hoped that by despatching Mr Bernard Ingham, her press spokesman, to the parliamentary lobby to tell journalists that speculation about British membership of the EMS was idle, she was clarifying policy. She was not. Her own reluctance to join the exchange rate mechanism is well known, and evidently as proof against lectures from her political friends in Germany as from her critics in the City, the press and among professional economists. She repeated her objectives, though without a timetable, at Question Time yesterday. However, the cause of the perpetual crisis of confidence over sterling is not simply a question of EMS membership. It reflects the absence of any clear strategy of any kind.

Two indicators

Officially, monetary policy is now guided by two indicators: narrow money (almost entirely notes and coin) and the exchange rate. Unfortunately this sounds a great deal firmer than it really is. The markets remain unenthusiastic about narrow money, since they suspect that it is simply a convenient excuse for turning a blind eye to the explosion of consumer credit and its broad money counterparts.

An exchange rate objective, even an unannounced objective, ought to be a much more impressive undertaking, but in present circumstances it is almost totally vague. First, it could be read as an excuse for drifting down with the dollar, which is itself persistently weak. However, the recent history of sterling shows that not even this very limited objective is being met. When the Prime Minister and the Chancellor continue to talk of the need for a downward adjustment in the real exchange rate, even after an effective devaluation on a trade-weighted basis of some 20 per cent, the markets again suspect evasion.

This reality of drift and silence is not even a caricature of the Government's supposed commitment to a clear medium-term financial strategy, and every month that it is prolonged can only increase the Government's difficulties when the time comes, as it must, to call a halt and try to achieve stability. Last week the markets were hoping for such a clarification from the Chancellor; now Parliament will be adding its own demands.

Academic objections

They may be disappointed for some time yet, for the Government now seems to be in great difficulty in defining its own objectives. The ends — low inflation and faster growth — are clear enough, but policy is about means. The Bank of England worries about credit and broad money, the Treasury about narrow money and some measure of the exchange rate, while the Prime Minister is no doubt advised that any clear exchange rate target is subject to the same academic objections which seem to have persuaded her against the EMS. Ministers can agree only in wringing their hands over wages.

The result, ironically enough, could be to drive the UK into full membership of the EMS sooner than might otherwise occur (for it should be remembered that unattributable briefings can always be disowned). The case will be made not by the merits of the system itself, though these seem to us and to most other commentators strongly persuasive, but simply as the only way to achieve the clarity and credibility which has always been preached by the Government and demanded by the markets, and was once practised.

The regulation of Euro-equities

THE internationalisation of the equity markets has been "a positive development," according to Mr Gary Lynch, director of the enforcement division of the US Securities and Exchange Commission, and its development should be encouraged. For most of those who heard him express this view in London yesterday, that was the welcome part of the message. The more difficult question for market practitioners is whether the SEC's interest in this fast growing business can be construed as an equally positive development. Most of them, one suspects, would think not.

That said, even market professionals would surely be prepared to pay lip service to Mr Lynch's guiding principles for the regulation of the world's markets: efficiency and fairness. Nor is it easy to put up a strong case against his assertion that investors should receive timely information from issuers and that those who abuse customers, investors and positions of trust should be exposed.

The real question is about means, not ends. And where the American message becomes genuinely contentious is in the desire to explore with the British a reciprocal approach to prospectuses. For while it is true that investors need a minimum quantity and quality of disclosure, it is far from clear that the formal approach of the SEC would have much to offer in the Euro-equity market; or, indeed, that the problems associated with the recent international syndication of Fiat equity support Mr Lynch's own case.

Self-correcting

Looked at from the SEC's perspective, the trouble with this issue, which has temporarily tarnished the reputation of the Euro-equity market, was a lack of disclosure of material information about the company itself. In Europe, however, the financial community is more inclined to argue that the stock was grossly overpriced. If insufficient information was made available to investors on restrictions that applied over the sale of the stock in the Italian market, the problem will not arise again because this is a professional market. The process is self-correcting and the losses that have been incurred in the Euro-equity market have fallen on the shoulders of the big investment houses. Even Belgian dentists and Italian doctors are not much in evidence here.

It is hard to see why these professional investors really need the protection that the SEC would like to give. And there is a more general caveat, in that a normal Euro-equity issue is more like a placing than a primary issue: in other words, a secondary offering of a widely held stock that has already been through the hoop of regulation on a domestic exchange.

Equally contentious is the heavy emphasis that the SEC tends to place on insider trading in its pursuit of regulatory harmonisation in the international area. Once again, the aim of good conduct in international markets is highly desirable. But the preoccupation with chasing criminals at the expense of issues such as capital adequacy for investment houses that are trading securities across the globe on a 24-hour basis reflects an anachronistic regulatory structure in the US.

Conglomerate activity

The division between investment banking and commercial banking imposed by the Glass-Steagal Act has little relevance to the conglomerate activity that takes place in the international equity and bond markets. So the SEC's heavy emphasis on investor protection and disclosure needs supplementing with the more systemic concerns of the central banker if investors are to be protected from wider, contagious shocks to the system. The commission's traditional armoury is equally ineffective in coping with the domestic US trend towards "securitisation," whereby credit instruments are bundled into marketable forms of paper. The old regulatory pigeon holes are no longer relevant.

That is not to say that there is no role for international harmonisation. There is room for improved accounting, audit and disclosure standards on the lesser exchanges. Bilateral agreements on the exchange of information reduce the scope for argument over the extra-territorial reach of the US laws. But the globalisation of the securities markets calls for a balanced response—and one which does not address problems that will resolve themselves without the help of the regulators.

The CBI

An awkward inheritance

Hazel Duffy looks at the prospects for Sir Terence Beckett's successor as director-general

NOT MANY champagne corks have been popping this year in Centre Point, the headquarters of the Confederation of British Industry. Twenty-one years after it was formed to strengthen the voice of industry in government, delegates preparing for the tenth annual conference early next month do so in the knowledge that the CBI's influence on the government which the vast majority of its members support has probably never been lower.

Early next year, a new director general — his name will be made known today — takes on the formidable task of trying to boost the standing of the CBI in Downing Street. From Sir Terence Beckett, who retires after six years in the post at the end of this year, he will inherit an organisation whose prime purpose is to lobby ministers, civil servants, in the UK, and increasingly in Brussels as the EEC assumes a more prominent role in business policies. Occasionally, the CBI also lobbies foreign governments.

A recent example of the latter was when Sir Terence persuaded the US administration to drop a clause from the Tax Reform bill which would have hurt subsidiaries of US companies remitting interest to their parent companies.

CBI clout also got the Government to table an amendment to the Financial Services Bill in the Lords, after it was discovered by a corporate treasurer—although not by the CBI's own legal department—that non-financial services companies would be required to comply with the Securities and Investment Board regulations in order, for example, to give advice to their subsidiaries or associated companies. It was the sort of issue where the CBI's access to government secured a concession which would have been much more difficult for an individual company.

But, on some of the larger economic issues which affect all its members, the CBI's record has been less auspicious. A year of lobbying for Britain to join the exchange rate mechanism of the European Monetary System has failed so far to move Mrs Thatcher. Meanwhile, interest rates, already much higher than in competitor countries, look like going up again.

The CBI looks again as if it will be at odds with the Chancellor in his next Budget; the confederation wants measures to stimulate employment, the Government prefers to go for tax cuts. This all takes place against the background of Britain's shrinking industrial base—still the mainstay of CBI membership—which the Government has done little to arrest. It begins took as though the CBI has been shorn of its influence almost as conclusively as has the Trades Union Congress.

How has this situation come about? And what lessons can the new director general learn from Sir Terence's tenure?

In defence of the CBI, it must be said that Mrs Thatcher is no respecter of institutions. She instinctively dislikes tripartism, corporatism and a number of other -isms with which the CBI has been associated over the years.

It is true that CBI leaders, unlike those of the TUC, are still granted audiences with the Prime Minister. But her inclination is to listen to individual businessmen of her choosing, rather than to those who happen to have emerged at the top of the CBI. That said, she had a fairly good rapport with Sir James Cleminson, who was president of the CBI until he took over the British Overseas Trade Board earlier this year.

The style of the CBI is perhaps less suited to Mrs Thatcher. Like many of the big companies it represents, it invests in research, conducts surveys, consults members. The outcome in policy terms can be bland. Compare this with the more aggressive style of the Institute of Directors, whose policy pronouncements are based on the ideas frequently of no more than a tiny team at the centre. Its members also—individual and not corporate—are more often in the Thatcher mould: entrepreneurial, self-made, sometimes strident.

Relations between the Prime Minister and Sir Terence, meanwhile, never recovered after his famous "bare knuckled fight" speech to his CBI conference in 1980.

The CBI has, however, sometimes succeeded in obeying the first law of lobbying — to be able to offer something to those from whom one is asking favours. An example was the way the confederation galvanised the considerable resources of its members as, for example, when it agreed unreservedly to help the Government launch its youth training schemes. No other organisation could have mustered as many training places with employers as the CBI.

But there is one key area where the CBI has failed miserably to deliver so far. Despite exhaustive campaigns conducted around the country annually by the top brass of the CBI, its members continue to pay bigger wage increases than can be justified by productivity gains. Britain's unit labour costs stick stubbornly above those of competitor countries, embarrassing the CBI leadership which has made the competitiveness of British industry its main theme in talking to government. Mrs Thatcher might listen more readily if she thought the CBI could keep its own house in order.

Personalities, however, are only a part of the story. In a recent Industry Year speech, Sir Geoffrey Chandler, director general of the National Economic Development Office between 1978 and 1983, where he saw the CBI and TUC in action with ministers, accused industry of failing significantly "to make its voice heard by Government and Opposition on a consistent basis regardless of the party in power."

Sir Geoffrey believes the CBI suffers from its "heterogeneity." The CBI's broad church membership is the fount of both its strength and weakness. Member companies have 10m employees, making the CBI by far the biggest business representative group. This is about 30 per cent down on five years ago, reflecting the squeeze on manufacturing industry. But recruiting drives have brought in new members from retailing, banking, insurance, accounting, as well as high technology companies.

This very breadth can bind the muscle of the CBI, since its leaders are reluctant to raise issues on which they fear they will not get a consensus. On the abolition by the Government of the National Insurance Surcharge—seen by the CBI as one of its great victories—everybody was behind the leadership.

But on issues like the serious imbalance of wealth and employment between regions in the country, the CBI comes up with solutions which look dangerously like the lowest common denominator.

Some CBI members admit privately that they are not happy with the organisation, but they all rally round in public. This is very evident at the conference, where dissidents are few and far between. Businessmen, who in private despair of the destruction of the traditional industrial areas, are rarely heard in the public CBI forum. Why, then, do they belong to the CBI, and why don't they do something to make it more effective?

Sir David Plastow, chairman of Vickers, speaks for many of his fellow business leaders when he says (reluctantly, because "I hate to be seen as a guru on anything but Vickers"): "If we did not have the CBI we would have to inven the CBI, we would have to invent it. And I would indict anybody who criticises it when they are not putting their best people into it."

The CBI prides itself on the extensive consultation procedures employed before the council — the policy-making body — comes to its decisions. Recommendations to council come from the regions, and the standing and ad hoc committees which are staffed by CBI officials, normally chaired by a businessman.

Sir Terence has laid great stress on getting "grassroots" opinion fed through to the policy-making level — the conference is consultative only, which partly accounts for its lack of vitality. But there is also an inner Cabinet, the President's Committee, which was largely the creation of Lord Watkinson, CBI president from 1976 to 1977, which advises the President, and sharpens up policy-making at the centre.

This is made up of leading businessmen, carefully weighted to reflect the different interests represented in the CBI. Two heads of nationalised industries, for example, sit on, the committee (all the nationalised industries are CBI members). Despite the democratic structure of decision-making within the CBI, the personalities and stature of the president (who serves a two-year term) and perhaps even more of the director general are vital to the effectiveness of the CBI.

Lord Watkinson, a former Tory Cabinet minister, did much to heal the wounds of the CBI in the mid 1970s following the Sir Campbell Adamson gaffe (who criticised Edward Heath on the miners' strike during the election campaign of 1974) and make the organisation more effective, ironically with a Labour government. Tripartism was then much in fashion, however.

The danger now is that the CBI of the Thatcher years has identified so closely with — some would say been cowed by — the Government that it may have lost credibility as a force in tripartism should this emerge with new vitality under a different government.

Bruises from a bare-knuckled fight

SIR TERENCE BECKETT is known to the world at large as the man who gave the "bare-knuckled fight" speech to the CBI conference six years ago. It was interpreted by the media—wrongly, he says—as a challenge to Mrs Thatcher's economic policies. "I was showing businessmen that they have to stand up for the things they believe in and that this was a bare-knuckled fight."

Others still recall the occasion as a rare (in CBI terms) challenge to Government at a time when exporters were battling with the high pound. An alternative explanation is that he was simply trying to breathe life into the infant forum of the CBI conference in a style he had used when running Ford UK.

The speech received a standing ovation from two-thirds of the delegates, but next day, Sir Terence found that he had fallen flat on his face. He, and other CBI leaders, were summoned to a meeting with the Prime Minister. Since that day little that could be construed as criticism of Mrs Thatcher has been heard from Sir Terence.

"We have had our differences with government over things like pensions, sick pay, yes, and interest rates. But I believe this government must be credited with effecting some tremendous changes for business. We believe in its strategy, although not always in its tactics," he says now. But what about the decline in manufacturing, is not that something which could be laid at Mrs Thatcher's door?

"It is not the fault of this government. We have an inheritance of inertia in this country, which has been disguised by the industrial revolution, the empire, and lastly North Sea oil. For 40 years, we have had policies which postponed change. When it came, it was that much more drastic."

Sir Terence came to the CBI when the recession was having a dramatic effect on CBI finances. He set about putting it on to a more businesslike footing, using tactics similar to those of the organisation's members. Staff numbers were cut, personnel changed to make it more efficient, and sources of income other than subscriptions, particularly conferences, brought into play. The result is that income has gone up steadily—next year's budget is for nearly £10m—although subscriptions have not kept pace with inflation.

The CBI is financially healthier today, but what success has it had in influencing government policy? "The biggest was undoubtedly the withdrawal of the National Insurance Surcharge. We fought a vigorous campaign on that.

"There are many others, ranging from more money being spent on roads and the like to the Government's acceptance of heavier lorries. This is the sort of thing that the CBI can do—we had campaigned for years in the motor industry's trade association for heavier lorries without success. I would like to see more money going on the infrastructure, and some could undoubtedly come from the private sector. But in the end, we are concerned as much as the politicians in the art of the possible."

US toy shoots at $100m sales

First it was the Cabbage Patch doll, then Trivial Pursuit. Next came a talking Teddy Bear called Teddy Ruxpin. Now the United States is in the midst of yet another toy craze. This time it is "Lazer Tag," a 31st century version of the universal chase game.

Nothing, it seems, will prevent millions of parents from spending $40 to equip their offspring with a "starlyte" laser gun and a "starsensor" target belt this Christmas.

Lazer Tag can be played by the rules, or adapted by the players to suit their playground. The player with the gun chases players wearing targets, either on a belt or a hat, and "shoots" an invisible, infra-red beam to "activate" the target.

When the target is hit, it lets out some space-age bleeps and red lights flash. After six hits, the target player is "out" and his target emits still more ominous tones.

The hottest item in US toy history is in very short supply. What is making it so popular is not hard to figure out. Lazer Tag was launched with a Hollywood spectacular, featuring a team of music celebrities who played against well-known athletes in a futuristic arena created by the Star Wars special effects team.

Already, Lazer Tag is featured in a Saturday morning television cartoon that is quickly becoming a firm favourite of the five to 10-year-old set. And numerous companies have licensed Lazer Tag to make lunch boxes, watches, bedding, clothes, books, puzzles and other goods featuring the cartoon heroes.

College students have been drawn into the fad by a national college tournament promotion that pits rival college teams against each other, culminating in a championship tournament in December.

A $10m TV advertising campaign is being mounted in the pre-Christmas season.

But all the promotion in the world would not make Lazer Tag a runaway success if it were not "a good toy." Don Kingsborough, chairman of World of Wonder, the California-based manufacturer, maintains. The key to its success, he believes, is that it combines "traditional play values with high-tech concepts" that appeal to young people's imaginations.

"We ask ourselves what do kids imagine they want to do? How can we fulfil that image?" —Teddy Ruxpin, the story-telling Teddy Bear was one answer, and boosted his 18-month-old company to instant success with first year sales of $93.1m.

Lazer Tag was thoroughly tested before it came to market. "Over a thousand kids gave us their opinions. We knew we had a winner," says Kingsborough.

Even the serious "players" in the toy business are raving about it. "The brokers are calling me, asking where they can buy it," says Rob Rebitz, a toy industry analyst at Davis Skaggs Sherson in San Francisco.

He expects Lazer Tag sales to top $100m this year. Sales will be limited only by the manufacturers' ability to produce, he predicts.

Keeping up with demand is a major problem for Worlds of Wonder. The company's plans to ship 3m units before Christmas have proved inadequate. "I'm spending $10-15m to fly 747s and DC10s full of Lazer Tag to the US from manufacturing sites in Asia.

"We are doing everything we can," says Kingsborough, "but, for example, we sold what we thought was 90 days' inventory in August in one week."

Because it cannot meet US demand, plans to launch Lazer Tag in Europe have been postponed. The game is now expected to make its appearance in the UK early in 1987.

Kingsborough admits that he has been getting hundreds of angry letters from wholesalers, toy stores and would-be customers. "But what can we do? How can you plan for this?"

He has been accused of deliberately limiting supplies. "It would be stupid to create an artificial shortage," he retorts. "Christmas only comes once a year."

Men and Matters

"£50 each way for Kingsley Amis to win the Booker—is he the jockey or the horse?"

Steam past

The QE2, flagship of the Cunard Fleet, is steaming across the Atlantic from New York for the last time, marking the end of the steam age for Trans-Atlantic liners—an era that has lasted for more than 140 years.

When she lands her passengers at Southampton on Friday, the venerable steam turbines will have to power her only a short trip to the refit yard, where they will be scrapped after more than two million miles and 604 voyages.

The installation of diesel electric power before she sails again in April, may not be good news for the romantics—but it would make a lot of sense to Samuel Cunard, the capitalist who conceived the idea of regular, scheduled passenger trips across the Atlantic last century.

For Captain Lawrence Portet, who assures me the ship will be crossing the big pond well into the 21st century, says the new engines will use half the fuel oil and be a knot or two faster into the bargain.

The British ship is not being refitted in the UK, but at Bremerhaven in West Germany, at a total cost of $150m. The diesels will be German, but Britain's GEC is supplying the nine generators and the two 92-megawatt electric motors.

Before she left New York on Monday, senior second engineer Ray Divett, who can be included with the romantics, took pains to point out that there was nothing wrong with the old engines. They could have continued to give good service.

But on a ledge behind him stood a can of "cold start."

Unwelcome

The tax officers' union, IRSF, has been obliged to make an embarrassing about-turn over plans to invite a number of Government ministers to the union's 50th birthday party next week.

The IRSF leadership had intended to include, in the 700-strong guest list such names as those of Nigel Lawson, the Chancellor, John MacGregor, Chief Secretary to the Treasury, and Sir Geoffrey Howe, Foreign Secretary. The union's journal even reported that the invitations had been sent.

But it seems that all the ministers' invitations have been cancelled because of an internal row and dark rumours of demonstrations against Howe, architect of the still-rankling union ban at GCHQ.

Fat chance

"The Cambridge diet has changed the lives of millions of people," says an advertisement in the Rossendale Free Press newspaper. "For personal consultation," it advises, "contact Elysia Bulger."

Observer

CITICORP IN THE UK

Loss of face as a vision recedes

EVERY YEAR, the London office of Citicorp, the US's largest bank, holds a dinner for its "alumni" or former officers who have gone on to work for other institutions. The bank is proud of the fact that attendance usually numbers 250—proof that many of the world's most successful bankers really do pass through Citicorp at some stage in their careers.

The number of Citicorp's London alumni has, however, been swelling rather dramatically of late, and for reasons which cause the bank less pride. In only half a year, Citicorp has received the resignations of many of the most senior officers of its UK business; this operation employs over 4,000 people and is by far the largest foreign banking operation in the UK. Those departed include the men responsible for the bank's corporate banking, consumer banking and mortgage lending, as well as the head of Citibank Savings, its UK retail bank, and the chairman of Citicorp Investment Bank Ltd (CIBL), the merchant banking subsidiary which is involved in the Big Bang.

Lower down the corporate ladder, dozens more have joined the exodus.

It all seems a sorry come-down for an institution once held in awe in the UK — as elsewhere —for the grandness of its schemes and the ruthless corporate culture fostered by its former chairman, Mr Walter Wriston, who drove Citicorp to his vision of dominating the world financial services industry. What has happened, and where does it leave Citicorp in its most important market outside the US?

A good deal of the turmoil has been caused by the major strategic changes which Mr Wriston's youthful successor, Mr John Reed, has had to initiate in the last two years to keep Citicorp abreast of a fast-changing financial world, where conventional banking is giving way to new financing techniques.

These challenges face all banks and many, including the UK clearers, are showing some strains of adjustment. But the pressures are more intense for Citicorp because of the organisation's huge size (its assets total nearly $190bn), and the bitter personal rivalries generated by its competitive style. And they are possibly worst of all in London where Citicorp is undergoing a transformation greater even than the one taking place on its home turf: the Big Bang permits US banks to plunge into the securities markets and develop an investment banking culture to an extent impossible on Wall Street. In this sense, London is a key part of Citicorp's drive to become a global financial institution.

All the emphasis in the last couple of years has been on building up CIBL, which embraces Citicorp's large treasury and Euromarket activities as well as the two stockbroking firms (Scrimgeour Kemp-Gee and Vickers da Costa) and the discount house, Seccombe Marshall & Campion, which Citicorp has bought in anticipation of Big Bang. The substantial resources it is pouring into this business—CIBL has been capitalised at some £250m—has naturally cast a shadow over the other branches of its UK operations.

Many of the people who have left the UK retail banking side, for example, complain that Citicorp is surreptitiously pulling back from those markets. Similarly, loan officers resent the emphasis now being given to investment bankers who seem to earn all the glory and the big money, though not necessarily the profits. But even the supposedly favoured investment banking side is rife with Citicorp's notorious factionalism.

"There is a lot of focus on what they should not be doing, but very little on what they should," is how one departing executive summed it up. What adds to the sense of disarray is that none of the remaining senior officers of Citicorp's large headquarters in the Strand are willing to be quoted by name as to what Citicorp's policies for the UK now are. This, despite the fact that Citicorp has over $12bn of assets in the UK and is believed to make about $100m in net profits here each year, about a tenth of the group total.

Following all the staff changes, the senior men in London are now headed by Mr Rick Lehmann, the senior corporate officer for Europe, Middle East and Africa who is widely viewed as Mr Reed's lieutenant for the region, and Mr Glen Moreno who heads the investment banking operations for the same region. They have both been in the UK for some years. Beneath them are Mr Charles Young, the country corporate officer for the UK who arrived earlier this year, and Mr Bob Selander, who has taken over the UK consumer banking operations.

Two years ago, Citicorp appeared to have a clear and broadly-based game plan for the UK: to develop an extensive retail banking network with possibly 250 branches offering the full range of banking services to individuals and businesses, big and small. Citibank also became the first foreign bank to be admitted as a member of the clearing system.

Today, there is no longer talk of a 250-branch network, and Citibank Savings does not even have plans to offer a current account to its personal customers. Rumours have gone so far as to suggest that Citibank wants to sell off its 40 or so retail branches and drop all but its biggest corporate clients.

Citicorp officials deny any such dramatic change in strategy. But they confirm that there has been what they call "a shift in tactics," which will have quite far-reaching consequences. "It is not true that we have retreated," one of them said. "But we're not Barclays Bank, and we have to focus our efforts more carefully. Our aim now is to access the market through products rather than through lots of branches."

Although Citicorp might still be interested if the right deal came along, the days when it would have made a bid for a UK bank or building society (when legally possible) now seem to have passed. Instead, it wants to collaborate with other financial institutions to reach the market through their branches, and join systems like Link, the shared cash machine network formed by two dozen banks and societies. As for products, it is narrowing these down to selected offerings like savings, home improvement and auto loans, and mortgages.

A question mark hangs over Diners Club, the charge card which it now wholly controls, having bought NatWest's half share this year. Diners is losing customers and money, but its fate depends on whether Citibank can use it as a channel to sell other services.

John Reed: "a manager, not a leader," says one ex-officer of Citibank

A similar "refocusing" has occurred on the corporate banking side where the target was previously the thousands of companies in the UK middle market. As one official puts it, Citibank is no longer interested "in offering overdrafts to companies in Birmingham": it is happy to leave that business to the British clearers. Instead it will lend them money for specific purposes, like buying machinery or restructuring their balance sheets, and will reach them through salesmen rather than branches.

Like many major banks operating abroad today, Citibank prefers to deal mainly with multinational corporations who need sophisticated treasury and capital markets services, where it can compete through innovation and technological excellence rather than just on price.

Ironically, many disgruntled Citibankers do believe that Mr Reed is trying to steer the group in the right direction, but they blame him for mishandling the changes. "He is a manager, not a leader, and he has surrounded himself with mediocre people" was the criticism voiced by one former senior officer.

The specifically British problem also raises the question of how far banks should penetrate foreign markets. Citicorp's standard approach has always been to tackle overseas opportunities on as broad a front as possible.

But the cost of establishing branches and building up infrastructure to challenge competition as deeply entrenched as the UK clearing banks is daunting even for a US giant.

Citicorp's change of direction may, of course, benefit it in the end, provided it can bear the pain and the loss of face. Virtually all its US competitors believe that its all-out attack on the UK was misguided.

"Two or three years ago, we thought that Citi would be a major UK player in the 1990s. The chances of that happening now are far less likely because the investment is not taking place in products and premises," said an official who was involved in the early strategy planning but has now left the bank.

David Lascelles

Mexico's debt problem

A plan which is in everyone's interest

By Charles E. Schumer, Robert M. Lorenz and Jorge E. Casteneda

AFTER substantial arm-twisting by the US, Mexico's creditors have agreed to come up with $6bn in new loans. But greater indebtedness will not solve Mexico's debt crisis.

If current policy is permitted to run its course, Mexico will lead the Third World into deepening stagnation marked by increasing poverty and widespread defaults. Economic and political collapse will inevitably follows.

There is a way to avoid this debacle: to limit Mexico's annual debt repayments to approximately 25 per cent of its export earnings, leaving the country enough resources to recapture lost growth and development.

Why would a US Congressman who sits on the House Banking Committee, an American international banker with over three decades of experience in Latin American lending, and a Mexican university professor specialising in Mexico's international relations unite behind such a plan? The answer is simple. We are trying to advance the longer-term interests we each hold close to heart: those of the American public, the US banking system, and the people of Mexico.

Mexico, it should be realised, is again at a breaking point. Since 1982, Mexico has served as a "model" for the IMF-inspired debt approach. Carrying out IMF austerity plans designed to ensure repayment of debt, Mexico slashed imports, cut government programmes, eliminated jobs and abolished any semblance of a social safety net.

Now, at the end of four years of "rescue," Mexican real wages have plummeted to 1967 levels, real purchasing power has fallen to levels of 25 years ago, inflation is back to 100 per cent a year and malnutrition has worsened.

Meanwhile, Mexico's GNP has remained stagnant while Mexico's foreign debt has soared—from $75bn in 1981 to more than $100bn in 1986. The IMF approach did not work.

Mexico's debt problem is a US problem as well. A million young Mexicans enter the labour force each year. But during the entire four years of the debt crisis, nowhere near that number of jobs has been created in Mexico.

Mexican debt has also affected US employment in another way. As Mexico cut imports to channel scarce foreign exchange into debt service, US exports to Mexico fell by more than 50 per cent between 1981 and 1983. According to Stuart Tucker of the Overseas Development Council, nearly 300,000 Americans jobs have disappeared since 1982 as a result.

Mexico's troubles also spell trouble for the big US banks. This may not seem the case in the short run, with overall US bank profits booming once again—but it certainly will be the case in the longer term. The absence of a workable debt strategy is leading increasing numbers of Mexico's fellow debtors, among them Peru, Venezuela and Brazil, to begin taking unilateral actions to reduce their debt. If nothing changes, we believe that unilateral action on Mexico's part is inevitable.

The debt relief plan we propose tackles all three of these problems—Mexico's, the US's and the financial sector's.

First, for Mexico, debt relief would make a world of difference. A one-third write-off in 1985 would have brought Mexico's ratio of debt service to export earnings down from nearly 50 per cent to almost 30 per cent. The equivalent figure for 1986 is likely to approximate the 25 per cent target we propose.

The one-third write-off would also decrease the ratio of Mexico's debt to GDP from its present bloated 60 per cent towards a more reasonable level, eventually approaching 20-25 per cent, which would, according to a banker's rule of thumb, allow the country to grow at a rate of 5-6 per cent. Such growth would allow Mexico to implement those economic and political reforms which the Mexican people deem necessary.

The US would also benefit. A sound Mexican economy, growing at 5-6 per cent a year, would be able to provide about a million new jobs—enough for all new entrants into the labour force. As a result, the flow of illegal immigrants to the US should diminish.

As for US banking interests, the prevailing view that the big money centre banks cannot afford to write-off a substantial portion of Third World debt is a myth. Today, larger US banks are in a stronger position than they were in 1982.

If the write-offs we propose were done over a ten-year period using FASB-15, an accounting rule the US bank regulators have recently encouraged banks to apply to troubled farm and energy loans, reserves would have to be taken against only $900m per year for all US banks, or about $30m for each of the major money centre banks. By comparison, in 1985 alone Chase Manhattan added $435bn to its loan loss reserves and its after-tax earnings still topped $550m.

The main objection to our plan is that other debtors might demand similar treatment, thus causing huge problems for the banks. In fact, even if we applied our proposal to the debt of every Latin American nation, it would not threaten the stability of the US banking industry. Approximately $240bn is owed to commercial banks. A one-third write-off would therefore involve $80bn—the US bank portion amounting to $30bn, or $3bn per year over a ten-year period.

Thus, if properly managed, even a Latin-wide debt relief plan need not lead to an absolute decrease in bank profits or to unsustainable capital losses.

The choice is this: Mexico can develop its economy and employ its people, or it can service its bloated debt. It cannot do both. The US can help Mexico achieve the former, or — for a time — force it to do the latter. For both countries, the consequences of the latter path have already proven disastrous. The benefits of shifting to the right course could put US-Mexican relations on the right track for years to come and could steer the US banking industry towards longer-term stability.

Charles E. Schumer, Democrat, New York, is a member of the House of Representatives Banking Committee; Robert M. Lorenz retired in 1986 as senior vice president of Security Pacific Bank in Los Angeles; Jorge G. Casteneda, professor of political science at the National University of Mexico, is a senior associate at the Carnegie Endowment for International Peace.

The Chancellor's humbug

From Dr M. Evans

Sir,—Cutting financial support for scientific research is a short-term saving at the expense of future prosperity, because much of this research lays the foundations for practical applications years or decades into the future. For several years the British Government has been progressively reducing real support for our scientific research. The damage already done to basic science is now identified in recent reports from the Advisory Board for the Research Councils and the Science Policy Research Unit, but the worst of the consequential damage to British industry is yet to come.

It is therefore humbug for the Chancellor now to criticise the City, and others, for allegedly neglecting the long-term view, while the Government is itself still taking such a short-term view on research funding.

(Dr) Martin H. Evans.
111 High Street,
Linton, Cambs.

Letters to the Editor

Tax and the SE member

From Mr D. Sinclair

Sir,—The only information which has been made public concerning the re-structuring of Stock Exchange membership is what has been published in the press and therefore it may be wrong to come to immediate conclusions. There appear however to be two flaws in the proposals.

Various commentaries refer to the potential personal gains tax problem which an immediate payout to members might present. This is a red herring as the figures for a typical member of, say, 15 years standing illustrate—

Actual cost of membership in 1971	£2,050
Estimated indexed cost in 1987	£4,300
Gain	£5,700
Potential tax	Nil to £1,700

Therefore, the worst tax position would be a liability of £1,700 and, for any individual with no gains in the year in which he receives this compensation, there would be no tax at all. I am sure that most young members would prefer to pay the tax and be £8,300 in pocket now rather than have to wait for £10,000 at some date in the future.

The other assumption is that the achievement of a particular age is an indication of a level of contribution to the Exchange. This is not only unreasonable but it is also unfair. There must be many members of, say, 15 years standing who are only half way through their working lives while there could well be a large number of more recent members who are in their late 40s or 50s. This latter category would only have a few years to wait for their compensation and by that time might still have only been members for a number of years equal to those years already provided by some of the present younger members.

If the Exchange wishes to prevent those members who have joined recently from gaining a windfall profit then they should relate the payout date to the length of membership not to the age of the member. An alternative to the present suggested payout at age 60 would be to give the recipient the right to take his payout after a certain number of years as a member—say 15 to 20. Another possibility would be to relate the value of the payout to the total number of years membership.

Clearly, on the information available, and from a purely personal point of view I have nothing to gain from throwing away £10,000 in 20 years time by voting against these proposals in the hope of obtaining a more fairly based and financially attractive deal.

David B. Sinclair.
Vine Farmhouse,
Islington, Alton, Hants.

Insurance aid

From Mr C. Robinson

Sir,—Much of the delay in mounting a sustained relief operation to the famine-affected areas of Southern Sudan is now attributed to the difficulty of insuring the transport. Given London's position as the insurance capital of Europe, is it not time for the major underwriters to show some of the imagination shown by many other professions in the face of hunger in Africa? Time for a little insurance-aid?

Clive Robinson.
19 Beaufort House,
Talbot Road, N15

Benefits of work study

From the Director and General Secretary, Institute of Management Services

Sir,—Your report on the dispute at Jaguar (October 20) is a timely reminder that disputes can still arise on matters of productivity, even in the best of companies. The benefits of work study (not time and motion, please; this term went out years ago) both to company performance and employees pay are now well established and yet suspicion still seems to exist.

The widespread acceptance of such techniques by our competitors doesn't find the same response here. Perhaps, as with many other things, old habits die hard. There is still not a clear understanding of the link between productivity, pay and prosperity. There is an urgent need for an independent forum where such matters can be developed and publicised. The establishment of a national productivity centre, such as can be found in most industrial countries, is essential if more disputes of the Jaguar type are not to hinder our economic progress.

Edward A. King.
1 Cecil Court,
London Road,
Enfield, Middlesex.

Overseas citizens

From Carolyn Murphy

Sir,—Why does the UK care less about its overseas citizens than any other Common Market country, or indeed any other large nation in the world?

Why does the fact that I have been overseas in the service of the UN for over 20 years mean that it is virtually impossible for me to vote in local, national or European elections?

I am a ratepayer in the UK and, if I fill in the electoral registration forms and manage to be at home on election day, then I can vote. Otherwise I have to vote by proxy which is a much more significant hindrance than it might seem. Why do we not have a postal vote?

If I were not a ratepayer, the fact that I work for a UN specialised agency of which the UK is a fully paid-up member would exclude me from any form of vote. According to WHO and the country I work in, I would be resident in the UK. According to the UK, I would be resident in my duty station. So I have no franchise anywhere, although I am a reasonably competent professional woman and a certain percentage of my international salary is credited to my country of origin in lieu of tax. I have normal expenses in my duty station and send a sum of money back to the UK every month to cover expenses there (thus, in my opinion, contributing minimally to the UK's "invisible earnings"). Why cannot UN international staff have a "service vote" and a postal one at that?

As a result of this bureaucratic neglect, I am not entitled to a vote for the European Parliament. I have lived 13 years in a Common Market country, I certainly have valid opinions on European policies but, even here, I am disenfranchised.

There are hundreds of British people like me but the country does not consider us fit to participate in its political life. Why not?

Carolyn F. Murphy.
Christiansholms Tvaervej 25,
2930 Klampenborg, Denmark.

Put the wine in proper bottles

From Dr R. McGeehan

Sir,—Mr E. Penning-Rowsell's reply (October 18) to Mrs I. Haag's letter concerning the rip-off resulting from smaller wine bottles is misleadingly ingenuous.

The key point is not the quibble over who introduced the 0.70-litre bottles but the fact that they have become, if not commonplace, at least frequently encountered.

A random check in my cellar revealed wines in 0.70-litre bottles from France, Italy, Spain and Portugal—none of which was purchased from a supermarket or off-licence chain.

If wine merchants really do find this shabby practice regrettable, why do they not simply refuse to sell any wine not in the proper 0.75-litre bottle? Not only would this preclude any confusion on their lists, but I suspect it would rather quickly do wonders for an intolerable situation long before the EEC mandate of May 1988 comes into force.

(Dr) Robert McGeehan.
Cooks Corner Farm,
Freeland, Oxford.

Speculative mania in housing

From Mr G. Daniels

Sir,—The recent increase in bank base rate naturally raises the question of why our interest rates have to be so much higher than those of other industrialised nations, and indeed, why real interest rates have to be so much higher than the normal 3-4 per cent.

Much of this can probably be attributed to the fact that while other nations subsidise their industries, Britain subsidises through mortgage interest tax relief, the housing boom which can now only be described as a speculative mania.

The abolition of mortgage interest tax relief would greatly improve the money supply figures, curbing demand for credit, allowing interest rates to fall and helping industry to progress.

G. Daniels.
32 Freston Gardens,
Cockfosters, Herts

FINANCIAL TIMES
Wednesday October 22 1986

Alan Friedman and Kevin Done report on shake-ups in Italy's volatile corporate sector

De Benedetti in pact with Ferruzzi group

MR CARLO DE BENEDETTI, the Italian entrepreneur who controls Olivetti and other industrial and financial companies, yesterday entered a strategic shareholding and business alliance with the Ferruzzi group, an agro-industrial conglomerate. Earlier this month Ferruzzi took effective shareholder control of Montedison, the chemical group which is Italy's second largest industrial company.

The alliance, which is likely to have a profound impact on the power structure of Italian business, was yesterday described by Mr De Benedetti and Mr Raul Gardini, Ferruzzi chief and majority shareholder, as "part of a broader programme of collaboration between the two groups."

The alliance has been achieved by a share-plus-cash swap which will see Mr De Benedetti's Sabaudia holding vehicle transfer a key 3.16 per cent equity stake in Montedison to Ferruzzi. Together with attached options to take up rights issues, the Montedison package of 40m shares is worth around L160bn ($116m).

The Montedison share transfer to Ferruzzi, which comes only a week after Mediobanca asked Mr De Benedetti to join the merchant bank in an alliance against Ferruzzi, brings Ferruzzi's shareholding in Montedison to 22 per cent. Montedison had a 1985 turnover of $10.2bn Companies controlled by Mr De Benedetti have annual sales of more than $7bn. Ferruzzi group turnover is around $6.5bn.

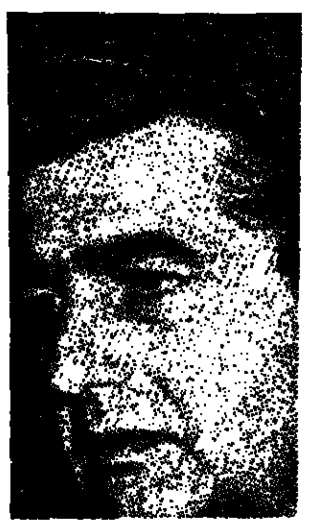
Ferruzzi has, meanwhile, transferred to Mr De Benedetti a 5 per cent shareholding in its Agricola main holding company, which among other interests controls the Eridania sugar business in Italy and Beghin-Say sugar in France. Agricola is also the vehicle which Mr Gardini hopes to use in his bid to take over Britain's S & W Berisford foods group which owns British Sugar.

Mr De Benedetti's group also receives 10 per cent of Ferruzzi's Silos grain trading and storage business. In one stroke Mr De Benedetti's Sabaudia thus becomes the second largest shareholder after Mr Gardini and will have a director on the boards of both Agricola and Silos (Mr De Benedetti will personally be the board member at Agricola).

With the Montedison stake valued at L160bn and the Agricola and Silos shareholdings worth a combined L60bn, it is believed Mr De Benedetti's group is being paid the L100bn difference by Ferruzzi.

Far more important than the details of the share swaps however, is the impact of the alliance. Mr De Benedetti has pulled out of a direct stake in Montedison, but is now a shareholder and business partner with Mr Gardini.

The two men, the aggressive and fast-moving Mr De Benedetti and the self-deprecating but shrewd Mr Gardini, now between them have effective control of Italy's second, third and fourth biggest private sector groups (Montedison, Ferruzzi and Olivetti).



Mr Carlo de Benedetti

Analysts saw the alliance as representing a slap in the face for Mediobanca, which has traditionally been the lynch-pin of Italian capitalism and which has lost its recent battle for control of Montedison.

It is also seen as creating a potent counter-force to Italy's most powerful financial-industrial player, the Fiat group. On the other hand, analysts agree that it represents a major set-back for the campaign to create Wall Street-style "public companies," a campaign which until recently was championed by Mr Mario Schimberni, Montedison chairman.

Angry Montedison ends takeover talks with Fermenta

ITALY's Montedison group yesterday angrily broke off its five-month long negotiations for the takeover of Sweden's Fermenta biotechnology concern. It accused Mr Refaat El-Sayed, Fermenta chief executive and majority shareholder, of having altered the shareholding structure and other terms relating to the deal originally agreed last July.

It was also learned last night that Montedison was considering taking legal action against Mr El-Sayed.

Mr Giorgio Porta, Montedison managing director and the man who personally spearheaded the negotiations with Egyptian-born Mr El-Sayed, yesterday explained why Montedison had pulled out of the talks.

At one point describing the hectic negotiations with Mr El-Sayed as a "soap opera", Mr Porta said the talks had been ended because the industrial and shareholding structures of Fermenta had been changed and the Swedish company had refused to provide standard information which was promised last July.

The Fermenta board claimed last night however, that the information sought by Montedison from Mr El-Sayed was "inside information containing commercial secrets. To release it to a competitor would have lead to damage to the company."

The Fermenta board said its decision not to release such information was supported by both its listing agreement with the Stockholm Stock Exchange and by Swedish corporate law.

Mr Porta also said that an agreement signed between Mr El-Sayed and Montedison on August 30 – which stipulated a gradual takeover of majority control by Montedison and certain options and prospects for the participation by Swedish institutions – was followed 36 hours later by a "fait accompli" which amounted to the possibility of the Montedison deal not going through.

However, referring to acquisitions and disposals made by Fermenta since Mr El-Sayed began negotiations with Montedison in July, the board said that it had a responsibility "to take advantage of business opportunities offered ... regardless of whether the main shareholder is planning the sale of his stake or not."

Mr Porta said that with the collapse of the Fermenta talks Montedison would now work on "two or three" smaller acquisitions in the bulk pharmaceuticals and related sectors.

With the abortive Montedison negotiations behind him, Mr El-Sayed is now seeking instead to form a closer relationship with Procordia, the Swedish state-owned holding company.

Procordia had already purchased an initial 1m Fermenta "A" shares, giving it 10.75 per cent of the votes at the beginning of September – much to the surprise of Montedison – while Mr El-Sayed was still in the midst of his tortuous negotiations with the Italian chemicals concern.

THE LEX COLUMN

Putting heat on IC Gas

Even in an age of leaky markets, it is unusual for a takeover bid to be foreshadowed as accurately as yesterday's £750m offer by Gulf Resources – controlled by the Barclay brothers – for Imperial Continental Gas.

For Gulf's broker to stand in the market, offering to buy at the bid level of 530p yesterday morning, seems to have been little more than a signal of intent. Most shareholders in IC Gas could be expected to sit on their hands until they saw the bid proper; given an offer 23p below last night's closing price of 553p, they are likely to hold tight.

Except that it is financed by a bank facility rather than by junk bonds, the Barclay's bid for IC Gas has all the marks of a modern leveraged break-up.

Indeed, the terms of Gulf's bank loans explicitly show that its bid depends on liquidation of IC Gas's Belgian portfolio – about half of its net worth – in the months after the acquisition. That would leave Gulf with Century, the majority owned North Sea investment, and Calor, the gas distribution business that is the main attraction of IC Gas. Gulf was saying yesterday that the ownership and management of Calor was its main objective.

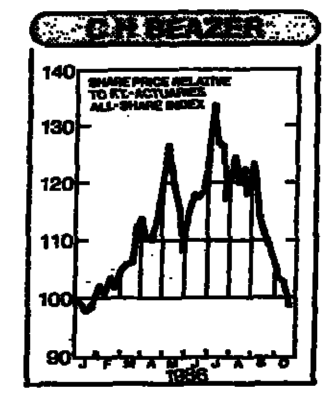
There is room for argument about the resale value of Calor, as of Century. But considering the tax benefits to Shell of its number-two position in UK gas distribution, it is not hard to think of at least one buyer to whom Calor (and possibly Century) might be more valuable than to the Barclays.

The whole package would be unlikely to fetch less than 650p a share, in a sensitively managed break-up; so if Gulf succeeded with its current offer it need have few worries about taking a handsome turn and paying down the debt.

Of course, were somebody like IC Gas's old friend Petrofina to ride in with a higher offer, Gulf would also be very handily placed. With 10 per cent of the shares in hand, at an average cost some way below 530p, it might be in Gulf's best interest to have made an offer that is rather less than a knockout.

C.H. Beazer

The London of the past two months has not been the ideal place to fund a giant expansion into the US. Since the announcement last month of Beazer's £190m purchase of Gifford-Hill, and the attendant



two-for-three rights issue, almost everything has gone wrong. Fears of earnings dilution and the reality of higher UK interest rates have combined to drive Beazer's share price down to a level – at 182p yesterday – where the nil-paid rights carry just twopence in value.

Even with the cash-flow from the French Kier contracting business supporting Beazer's UK housebuilding, the company was probably too highly geared to finance the buying of Gifford-Hill out of bank borrowings for more than a month or two. But if the rights stick to the underwriters next week, Beazer has a problem. Its tremendous expansion so far has been primarily equity funded and a diminishing equity option will be a constraint on a company that will next year still be 50 per cent geared on doubled net worth.

Yesterday's figures for the year to June 1986 unfortunately coincided with a rise in the mortgage rate but they may swing a reluctant City behind Beazer. Earnings per share are up just under 20 per cent, on doubled pre-tax profits (at the forecast £31m). There has always been flexibility in the booking of contracting profits, but French Kier is evidently not proving such a new departure for Beazer as feared; while next year will still show some acquired incremental profit in UK housebuilding whatever happens to interest rates. Gifford-Hill only needs to contribute about £30m in its first nine months to leave earnings undiluted, and there must be an element of recovery left for its first full year. In any other market, the nil-paid would be cheap.

Ward White/LCP

Fixing the price for a bid is not always an easy affair. On some measures Ward White's £148m offer for LCP looks generous, on others less so. The 180p cash alternative fixes exit multiples of 26.5 historic and perhaps 21 prospective, which are not mean. But LCP's value to Ward White might argue for a higher price. The prize in LCP is Whitlock, the US retailer of car parts to DIY mechanics, which is similar to Ward White's Halfords chain in the UK.

The rest of LCP might be sold to raise as much as £70m, leaving the price of Whitlock a p/e in the high teens, which would be fairly cheap in the US market. That might be a dangerous defence for LCP to adopt, suggesting that it has not made the most of its assets. But it could attract another more palatable or generous bidder.

It is arguable whether Ward White could manage Whitlock better than LCP has. Expansion has not been sluggish, margins are higher than Halfords', and LCP is about to introduce the Epos systems which Ward White has itself only lately put into Halfords stores.

Ward White must not only win over LCP's shareholders but its own as well. They must be wondering what strategy lies behind the frequent rather diverse acquisitions, especially after the recent flirtation with Wedgwood. While this deal looks more logical than a leap into fine china, shareholders will probably be looking at some dilution in the year to January 1988. All this explains Ward White's rather meagre multiple which ought to preclude any more acquisitions for some time if this one succeeds.

British Airways

Thank goodness for the power to disenfranchise – or even forcibly buy out – foreign shareholders. If it were not for such embroideries on the principle of the golden share, BA's passengers might have been in line for some curious experiences a couple of years from now. Just imagine BA attracting the sort of overseas investment interest that the promoters of the issue would probably give their eye-teeth for, so that a quarter or more of the equity is suddenly held by non-British investors.

A siren goes, the taxiing BA Jumbo turns back from take-off; after one foreign purchase too many, BA has just lost its status as a national carrier ... Too horrible to contemplate.

Portugal to receive windfall from EEC

By Diana Smith in Oporto

THE enthusiastic response of the administration and businessmen to EEC accession has helped Portugal, in its first year of Community membership, to receive Ecu 637m ($666m) in finance for a tidal wave of projects.

For 1987, Ecu 900m has already been committed to Portuguese projects approved in Brussels of which Ecu 500m will be paid out during next year.

Mr Antonio Cardoso y Cunha, Portugal's EEC Commissioner told 140 foreign bankers in Oporto, at a seminar organised by the Banco Portugues do Atlantico, that the energetic presentation of projects had taken Brussels by surprise, and that Portuguese entrepreneurs had to a greater extent than their counterparts in other countries, sought to draw on regional development, job creation and job training funds, to finance their projects.

Mr Rogerio Martins, a leading Portuguese industrial consultant, told the seminar that Portuguese businessmen had to get themselves into shape rapidly to meet the competition, because in the first eight months of EEC membership, Spain had taken a giant leap forward industrially and commercially, and had displaced all but West Germany as suppliers to Portugal.

Spain is seen by many Portuguese economists as Portugal's main threat in the Community framework.

Mr Cardoso y Cunha stressed that Portugal had to make optimum use of EEC funds to close the industrial and technological gap it suffered in relation to other members, so that it would have some cushion against dramatic shocks likely when the protective transition period ended in the early 1990s.

EEC agrees Mediterranean deal, Page 4

Britain sees US proposals on missile abolition as 'dangerous'

BY DAVID BUCHAN IN GLENEAGLES

THE BRITISH Government would regard as "dangerous" total abolition of ballistic nuclear missiles, as the US proposed at the recent Reykjavik summit, if that left Nato facing a big Soviet superiority in conventional military force and chemical weaponry, Mr George Younger, UK Defence Secretary, said last night.

Mr Younger, who was hosting the Nato Nuclear Planning Group meeting at Gleneagles Hotel, in Scotland, said the UK Government supported substantial cuts – 40 to 50 per cent – in the superpowers' stocks of long-range nuclear weapons.

But further reduction beyond such a cut would be "very questionable," if no regard was taken of other Soviet military advantages, he said.

Mr Younger's reservations about the more sweeping US proposals were shared by other countries, notably West Germany. But despite this they generally rallied to support the US at the NPG meeting, which was their first opportunity since Reykjavik to give Mr Caspar Weinberger, their US counterpart, at first hand their reaction to the Iceland summit and their views on the future course of negotiations.

The general intention was to try to close ranks after a week in which Nato military commanders and several European politicians had expressed serious misgivings that a possible halving of US long-range nuclear missiles and total withdrawal of Europe-based medium-range missiles might affect the US commitment to Europe's nuclear defence.

The 13 European defence ministers joined Mr Weinberger in rejecting any Soviet tactic linking agreement on eliminating US and Soviet medium-range missiles in Europe to resolution of the superpower dispute over Star Wars missiles defence research.

Mr Lothar Ruehl, the West German Defence Secretary, was understood to have described the tentative zero-zero deal of US and Soviet medium-range weapons as a tremendous success.

Mr George Younger, UK Defence Secretary, said its achievement would be a "great tribute" to alliance cohesion.

But both men stressed to the group that new efforts must be made to reduce the Soviet superiority in shorter-range missiles and conventional military force.

Opening the meeting with a briefing on Reykjavik, Mr Weinberger stressed that the Soviets had tried to kill off the US Strategic Defence Initiative (SDI). This would be resisted, just as Nato had resisted the earlier Soviet campaign to stop the placement of medium-range weapons in Europe.

SDI seems unlikely to be a major issue, although ministers from some smaller Nato countries are understood to want to restate their reservations about the US programme in the communique at the close of the NPG later today.

The general sentiment of alliance ministers was that Nato should now take stock of what Mr Younger described as "the wholly unscripted set of discussions" at Reykjavik.

Mr Younger, host of the NPG nuclear plan gathering and the only minister yesterday to make any public pronouncements outside the highly restricted meeting, said planned deployment of cruise missiles at the Molesworth base in East Anglia would continue "unless there is a deal that reduces cruise missiles to zero or something like it." He said: "We need to have complementary cruise missiles at Molesworth as well as at other sites," such as Greenham Common where they are already deployed.

Opec close to agreement

Continued from Page 1

threat of a return to the Opec free-for-all that had such a disastrous effect on prices earlier this year.

The majority fought hard against an increased quota for Kuwait. Venezuela, in particular, was deeply unhappy about the prospect of an agreement essentially dictated by the two heavyweight producers of the Gulf.

Yet it has always seemed probable during this protracted conference that the more financially pressed members would have no choice but to compromise. While Saudi Arabia and Kuwait still have sufficient financial reserves to be able to contemplate the return for a while to oil prices of less than $10 per barrel, the indebted majority cannot do so.

Such a muddied compromise can only polarise Opec and embitter feelings, making vastly more complicated the task at the conference, which is now rescheduled to start on December 7, of renegotiating the basis for sharing output from 1987 onwards.

IBM retreats from S. Africa

Continued from Page 1

The purchase of the subsidiary is likely to be financed by borrowings taken up by the South African company against a note advanced by IBM, and repayable over an as yet undetermined period. No price has yet been fixed, but IBM said that it will be aiming to achieve a sale that is fair to the group's shareholder and allows the South African company to continue to operate as a viable entity. The South African subsidiary is in profit at present although IBM would not give figures for its profitability.

Touche Remnant in talks with US group

By Eric Short in London

ONE of the leading UK fund management groups, Touche Remnant, yesterday announced discussions with Metropolitan Life Insurance of New York which could lead to a bid for the British company. The statement came after several weeks of speculation that a US buyer had been pursuing Touche Remnant.

No indication was given of the likely price for Touche Remnant, which has £3.7bn ($5.3bn) of assets under management, but market analysts were talking of a possible range of £85m to £100m.

Lord Remnant, chairman of Touche Remnant, emphasised that the talks were being conducted on condition that his company would retain its own name and operational independence. "We are sensitive to remaining independent and in no way are we going to get involved in conflicts of interest," he said.

He added: "The ability to run our show without interference was paramount in any negotiations." He admitted to approaches from other groups, but none that would meet the independence criterion.

Touche Remnant is a substantial investment trust management group with some £2bn under management as well as some £1bn of pension fund investments and an expanding unit trust and private client operation.

It is an unquoted company with an unusual pattern of ownership in that its shares are held by the 10 investment trusts managed by the group. If any investor acquires 25 per cent of one of its trusts, that trust has to sell its Touche Remnant shares, with the first offer being to the other trusts.

In practice any acquisition will need the approval of the Touche Remnant board.

Touche Remnant was reorganised on to a more normal commercial basis at the end of 1984 and has improved its overall investment performance since then. Lord Remnant said that the company had been content to continue as at present. But this approach from Metropolitan Life, if concluded, would give the group "a quantum leap into the US" as well as provide an ultra-strong capital base.

He pointed out that Metropolitan Life owned State Street Research & Management Company, a US domestic fund manager. It was envisaged that if the deal was concluded, Touche Remnant and State Street would be able to co-operate so as to offer their respective clients a comprehensive international fund management service.

But each would continue to operate independently under its own name. In particular, Lord Remnant emphasised that Touche Remnant would continue to manage its own US investments.

World Weather

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Ajaccio	[illegible]	[illegible]	[illegible]
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Amsterdam	[illegible]	[illegible]	[illegible]
Athens	[illegible]	[illegible]	[illegible]
Bahrain	[illegible]	[illegible]	[illegible]
Barcelona	[illegible]	[illegible]	[illegible]
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Belfast	[illegible]	[illegible]	[illegible]
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Warsaw	[illegible]	[illegible]	[illegible]
Washington	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

BA details share sale

Continued from Page 1

nary details of British Airways flotation, scheduled for early next year.

Mr Moore announced that overseas investors would be encouraged to take part in the flotation and advisers had already been appointed to four major overseas markets: Salomon Brothers in the US, Swiss Bank Corporation in Switzerland, Daiwa Securities in Japan and Wood Gundy in Canada.

However, Mr Moore said he did not envisage that initial allocations to overseas markets would exceed 20 per cent of the issue.

Single shareholdings – British or foreign – will be limited to a maximum of 15 per cent for the first five years. British Airways said this was to protect it from predators while it adjusted to life as an independent company.

The flotation is expected to raise up to £1bn ($1.43bn) for the Government, although Mr Moore would not be drawn on the sum he expected it to produce. It will also provide generous incentives to encourage employees to take part in the issue.

Eligible employees will be entitled to £95 worth of free shares, to two free shares for every one purchased to a maximum purchase value of £150, and to a 10 per cent discount on share purchases of up to £585 per employee.

Shareholders will be offered a loyalty bonus of one free share for every 10 initially bought up to a limit of £5,000

JOBS

How to survive in the management jungle

BY MICHAEL DIXON

THINK about yourself for a moment, please, and then think about company colleagues or other people who might sensibly be viewed as your career competitors.

By comparison with them, would you say that on the whole you are:

A calmer person;

Less inhibited socially;

A good deal more imaginative, and unconventional;

More natural and forthright;

Less inclined to worry about your own performances; and

More relaxed?

If your answer is yes, it would be best to check through the list again so as to be sure.

Is the answer still yes?

Well in that case, you might do well to start looking for a new job. The list—drawn from a research report published this morning—describes the main ways in which executives who get sacked differ in personality from those who don't.

The study was made by three researchers at Britain's Cranfield School of Management. The money for it, together with the executives who were calmer, less inhibited socially and so on, were supplied by Pauline Hyde and Associates.

Mrs Hyde's organisation specialises in helping people to re-establish their career after they have been fired. But that is not what her consultancy and others in the same trade like to say they do. Their term for their activity is the jargon word "outplacement," presumably because they feel that to call the sack "the sack" would be offensive to their customers.

Unfortunately, by seeking to give less offence in that way, their trade jargon contrives to be more offensive in others. For instance, a man dismissed from a managerial post is surely apt to feel he has lost more than a mere job if he hears himself described as "a terminated male executive."

Even so, the combined effect of the nauseating terminology and fairly recent dismissal had not deranged the people whose personality-test results were sent by the consultancy for examination at Cranfield. They consisted of 201 men and three women aged from 32 to 60, with an average of 47, of whom three fifths had been senior executives.

"There was no evidence of stress or psychological tension as might be expected amongst a group of redundant managers," the study report says. "This may reflect the impact of the outplacement counselling on the way the redundancy was handled by their companies."

Besides being sane, they were on the whole as good at reasoning in terms of words and numbers as more than 1,000 other un-sacked executives who had taken the same test (technically minded readers may like to know that it was the Cattell 16 personality factors questionnaire). Indeed, it was only in the traits I listed at the outset that the discarded 204, viewed as a group, differed appreciably from the other 1,000-plus people.

When the researchers divided the unfortunates into sub-groups according to what they had been sacked for, however, there were personality differences between them. There were also variances in the average lengths of time the sub-groups took to establish themselves in work again. Taking all 204 together, the average time was 5.7 months.

Readers who—unlike the Jobs column—believe it is better to quit of one's own accord than to wait to be fired would do well to note that the five who had resigned took a mean 9.4 months to get back into work. The nine squeezed out during a merger did somewhat better at 7.2 months. But the 10 who lost in a "personality clash" re-established themselves in only 4.6 months.

The personality clashes are the only sub-group for which the study report gives both the average time unemployed and particular character traits. By comparison with the 204 discards as a whole, they were better at verbal and numerical reasoning and more warm-hearted and outgoing. So were the four who had lost in a policy disagreement. The seven sacked for inadequate performance, on the other hand, scored lower than the rest on the reasoning tests.

But in overall terms the Cranfield researchers seem to have little doubt about the main reason for the discards' predicament. It lies not so much in what they positively possessed by way of unusually high degrees of forthrightness and imagination, as in what they were lacking in consequence.

Their strength in forthrightness left them weak in shrewdness. The gift of imagination left them short of cool realism. In sum, although mostly "alert, intelligent, independent with good leadership scores and good emotional adjustment," they were missing some of the key abilities on which survival let alone success in organisations so often depends.

As the study report states:

"The evidence here suggests that the unemployed managers were much less self-aware than other managers, which may well reflect a lack of political and social skills. Management survival skills at a time of redundancy might well include the capacity to avoid unpopularity with senior managers . . .

"The capacity to be socially aware, political and streetwise might be difficult to learn without feedback and training. However, if organisations are selecting for redundancy those managers who do not conform, there is a cost (to the employers) in the loss of energetic, imaginative, creative people."

Middle East

NOW to Dubai where a trading group covering, and owned in, all the United Arab Emirates wants a commercial manager. The offer is being made through recruiter Clive Taylor of the EAL International consultancy who, as he may not name his client, promises not to identify any applicant who so asks to the employer without specific permission. (The same goes for the headhunter to be mentioned later).

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Besides having the abilities the 204 jobless managers lacked, candidates must have made profits by managing sales and marketing operations in a fast-moving-consumer-goods business, be numerate, and preferably have been successful in trading with customers in the Middle East.

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Inquiries to Mr Taylor at 18 Grosvenor Street, London W1X 9FD; telephone 01-499 0513, telex 27950 ref. 2704.

Scotland

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European Bank seeks a Credit Analyst with a minimum of two years' experience. Candidates should be in their early to mid-20s, have good communication skills and thorough analytical approach. Prospects for career advancement are excellent. Knowledge of a foreign language would be advantageous.

Please contact
Catherine Virr on 01-621 1942
or write to her at
18 Rood Lane, London EC3M 8AP

BRUNEL BANKING

Economist
£ Negotiable

Our client is a well known name in the field of Futures Broking. As a dynamic and progressive organisation they now require an Economist.

The successful candidate will be an Economics graduate, aged 25-35, with a good degree and a special knowledge of the U.S. economy. Some exposure to Financial Futures markets would be an advantage.

The position will involve working as part of a small team of specialist analysts, providing an economic input to interest and exchange rate forecasting, as well as making a substantial contribution to written research material.

Package and prospects will be outstanding for the right individual.

Please contact Clare Kearns or Simon Kennedy who will treat all replies in the strictest of confidence.

Kennedy Stephens
Financial Markets Search and Selection
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You will be given total responsibility for your portfolios, and be judged on results. Our client is looking for someone with outstanding professional potential and will pay generously to obtain it.

Please send a detailed c.v., including contact telephone numbers, in strict confidence to Peter Wilson, FCA at Management Appointments Limited (Search and Selection Consultants), Finland House, 56 Haymarket, London SW1Y 4RN. Tel: (01) 930 6314.

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A major international bank has ambitious plans to expand and develop its securities dealing subsidiary in London.

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Please forward a detailed cv, or, to discuss these positions further in complete confidence please contact Bryan Sales.

Jonathan Wren
Recruitment Consultants
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Telephone: 01-623 1266

Economist - Tokyo

We require a young Economist to complement our established economics team. The successful candidate will be employed primarily to analyse the Japanese economy with secondary responsibilities for briefing our Japanese clients on developments in the UK economy. The post will be based in our Tokyo office after an initial training period in London.

Previous experience of the Japanese language or economy is not essential though a willingness to learn the language would be an advantage. Ideally, candidates should have a good class economics degree and an M.Sc. Preference will be given to those with a firm grounding in both micro- and macro-economic principles who have the ability to produce high quality work at speed.

The post offers the right candidate a challenging and stimulating environment in which financial reward and career prospects are excellent.

Please apply in writing, supplying a full curriculum vitae, to:

David Clark, Assistant Director - Personnel, Kleinwort Grieveson & Co., 20 Fenchurch Street, London EC3P 3DB.

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Investment Manager

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My client is the investment management division of a medium size Life Office which over the past few years has established itself as one of the sector leaders in the UK with four of its funds having achieved the No 1 position in their sector.

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The remuneration package includes a performance bonus, non-contributory pension, car scheme, mortgage assistance and if relevant a relocation package.

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Irving Trust Company, a major US Bank with a significant interest in international securities markets, acts in London as a clearing agent and a major depositary bank for ADRs. The Bank also has a presence in the Custody Services market and an established Securities Trading affiliate.

A Manager is required in connection with the provision of operational support to these securities activities. Working under pressure, the successful candidate will require a sound understanding of the securities markets and have well developed organisational planning and management skills. Preference will be given to candidates who have experience of working in a growth environment.

A competitive remuneration and benefits package will be negotiated.

Please send a detailed c.v. to
Andrea Williams, Personnel Manager,
Irving Trust Company, 36/38 Cornhill,
London EC3V 3NT.
All applications will be treated in strict confidence.

Irving Trust

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A leading City-based Merchant Bank seeks a numerate graduate with two to three years' training in Investment Banking. The position involves working with the Capital Markets teams, analysing and developing business proposals. A knowledge of IBM PC-based software would also be most useful. Contact John Lord on 01-977 8105 or David Jones on 0444 452209 or write to them at:

The City Resourcing Partnership
266 Bishopsgate, London EC2M 4QX

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Senior Management Package – Salary Negotiable

The Halifax, the World's No.1 Building Society, seeks to make a Senior Management appointment for its Head Office based Treasurer's Department in Halifax.

Operating as the Society's Treasurer the appointee will have overall responsibility for liquid funds of more than £4 billion and wholesale funds in excess of £2 billion.

Candidates should have a minimum of 5 years' experience operating at senior level in the gilt and money markets and will be required to be able to demonstrate the capacity to continue the many initiatives which the Society has been at the forefront of developing.

The salary will reflect the importance and seniority of this post in one of the country's major financial institutions. The benefits include the provision of a car, contributory pension scheme, group life assurance, subsidised mortgage facilities, BUPA and a full relocation package.

Candidates should apply in confidence with full C.V. to:
General Manager, Personnel and Services, Halifax Building Society, PO Box 60, Trinity Road, Halifax HX1 2RG.

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The successful candidate, preferably aged 25–30, is likely to have a degree in a scientific subject. He or she should have experience of working with international healthcare and life science related industries and preferably will have had exposure to these industries in the U.S.A. or Japan.

He or she needs to be articulate, literate and of a strong personality so as to be able to make a case positively to senior members of the organisation or its clients. The position will require close liaison with our offices in the U.S.A. and the Far East.

Applicants should write enclosing their C.V. to

Frank Smith,
ROBERT FLEMING & CO. LIMITED,
25 Copthall Avenue,
London, EC2R 7DR.

Corporate Planning and Taxation

Canadian Imperial Bank of Commerce is one of the largest banks in North America and a leading international bank with a commitment to expansion in Europe. The Corporate Planning and Taxation Department is developing as a high-profile group of specialists with Europe-wide responsibilities for taxation, corporate secretarial, legal, financial regulation and related matters. The Bank wishes to make two senior appointments to that group.

Taxation Manager

The ideal candidate should be a tax professional with at least 3 years' post qualifying tax experience in a professional firm, commerce or a financial institution. The job content would include significant tax planning issues, overlap with legal and other specialist disciplines as well as liaison with business groups. A solid background in UK corporation tax and an appreciation of international tax issues is essential. Key attributes would be sound communication (written and oral) and a positive attitude to business tax planning.

Legal Adviser

The ideal candidate will be a qualified lawyer with at least 3 years' post-qualifying experience in a large organisation be it in the practice commercial or financial environment. Key elements of the job content would be analysing the Financial Services Bill (and the prospective Banking Bill), setting up a framework for providing in-house legal advisory services on a whole range of issues, reviewing control procedures for procurement of legal advice from external sources and managing the Bank's existing relationships with external legal advisers. An element of corporate secretarial duties is also envisaged. Experience of and/or an interest in tax law is desirable but not essential.

An attractive remuneration package will be offered commensurate with past experience and potential. If you feel able to meet the challenge please send your CV with telephone number and salary expectation either to:

Shashi Tanna, Assistant General Manager, Corporate Planning, or John Hardisty, Manager, Human Resources, Canadian Imperial Bank of Commerce, 55 Bishopsgate, London EC2N 3NN. Telephone: 01-628 9858.

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Working in a small, close-knit team of traders and analysts this individual will be expected to seek out, research and evaluate investment opportunities in the UK and overseas stockmarkets. He/she will then be involved with the investment decision making process.

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This position offers extensive scope for progression and high salary rewards for an individual with enthusiasm and initiative.

Interested candidates should contact Jonathan Holmes on 01-606 1706 (lines open until 7.00pm on Wednesday, 22nd October) or write enclosing a detailed curriculum vitae to the address below. All applications treated in strictest confidence.

Anderson, Squires Ltd., Bank Recruitment Specialists, 127 Cheapside, London EC2.

Anderson, Squires

Leading International Bank

EUROBOND TRADER

Attractive salary, bonus and benefits package

Our client, a prominent Scandinavian bank, has a successful track record in Capital Markets and is a market leader in its area of activity. Continued expansion has created a need for a versatile and innovative Trader to work within its Capital Markets division based in London.

The successful candidate will work within a close-knit team covering a broad range of Euro products, particularly in the Euro DM and Euro US$ markets. Responsibility will include obtaining timely and competitive prices from the street, principally on a client-order basis and the establishment of a trading book for Scandinavian names.

The combination of International exposure and working in a dynamic division of a dynamic bank provides excellent career opportunities for a graduate aged between 23 and 30 years who has a minimum of one year's experience in fixed interest trading and sound market contacts. Previous experience of another area of banking would be advantageous, especially Scandinavian Bonds/Equities or an exposure to swaps/options/futures/short dated instruments. Knowledge of a Scandinavian language is desirable but not essential.

A competitive package commensurate with experience will be offered, reflecting the strategic importance of this rôle.

In the first instance please contact Leslie Squires. Tel: (01) 606-1706. All enquiries will be treated in the strictest confidence.

Anderson, Squires Ltd., Bank Recruitment Specialists, 127 Cheapside, London EC2.

Anderson, Squires

BANKING EXECUTIVE

Singer & Friedlander Limited is seeking to appoint a Banking Executive to join its Domestic Banking Division.

An ideal candidate is likely to be aged between 25 and 35, qualified as a banker or accountant, and will have worked in a Merchant Bank. The post will suit an energetic marketing orientated banker, who is self motivated and who wishes to be judged by performance.

Career prospects are very attractive and the remuneration package will include a profit share and staff mortgage subsidy.

Written applications with a full curriculum vitae should be sent in confidence to:—

Peter Cordrey,
Banking Director,
Singer & Friedlander Limited,
21 New Street,
Bishopsgate,
London EC2M 4RH

General manager – fund administration company

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You will manage the new administration centre established on the Isle of Man (standard rate of tax 20%) which will provide registration, valuation and accounting services to over 30 mutual funds and unit trusts worldwide. With the support of a small team, you will continue the development of appropriate systems using computer facilities where relevant and liaise with clients, investment managers and advisers around the world.

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Terms need not be a limiting factor.

Please write, enclosing your curriculum vitae and daytime telephone number, to Stephen Blaney, Ref B317.

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Our need is for strategists who can manage client assignments. Highly developed skills as a corporate strategy consultant, marketeer or business economist and a record of achievement in well managed companies are essential. The ability to evaluate financial statements and a keen awareness of design and new technologies are also highly relevant.

Initial earnings, with bonus, are likely to be between £27 — £35k plus car. Relocation is not required.

We would also like to hear from experienced Marketing Consultants as potential Associates to carry out ad hoc assignments, for which an in depth industry knowledge or specialist skill is needed, for example in industrial marketing research, product development, distribution or sales management.

Applicants are invited to send their C.V. in strict confidence to Christopher Ley-Wilson, London Manager.

Doctus Management Consultancy Limited, Centre Point, 103 New Oxford Street, London WC1A 1DU.

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Age will not be a determining factor but you will have to demonstrate a high level of credibility and self-motivation. The ability to fit into, and "pull your weight" within a dynamic team is essential. Rapid career progress is anticipated.

Please telephone or write in confidence to Leslie Thorsen Bensley, quoting Ref: LB099.

Lloyd Chapman Associates

International Search and Selection
160 New Bond Street, London W1Y 0HR
Telephone: 01-409 1371

CHRISTIANIA BANK (UK) LIMITED

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Must have at least two years' experience dealing in the Euro Bond market. Must be able to speak and transact in a second European language.

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Preferably educated to degree standard, candidates should be fully conversant in all aspects of Euro Bonds, be able to assess the market on a macro basis and effect evaluation and analysis of a range of products.

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Experienced trader required to make markets worldwide with particular emphasis in the Scandinavian area.

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Please apply in writing to the Personnel Manager, Christiania Bank (UK) Limited, 9 King Street, London EC2V 8EA.

Trainee Investment Analysts

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Backed by a proven long-term investment record, Provident Mutual funds under management now exceed £2.7 billion and are continuing to grow rapidly. This expansion has created additional opportunities for people with ambition and enthusiasm, providing good prospects for career development within a successful and progressive environment.

Successful candidates will specialise either in European or Far Eastern stock markets. They should be graduates in Economics or a financial discipline and already have some industrial or commercial experience. They must also be able to demonstrate a willingness to work hard and an ability to get on with people.

An attractive salary is offered and benefits include a non-contributory pension, free life assurance, subsidised BUPA and low cost mortgage facilities.

Please write with full C.V. including current salary to Mrs S. P. Cormie, Personnel Superintendent, Provident Mutual Life Assurance Association, 25-31 Moorgate, London EC2R 6BA.

PROVIDENT MUTUAL

BARINGS

BARING WILSON & WATFORD

DEALER

Baring Wilson & Watford, a wholly owned subsidiary of Baring Brothers & Co. Limited is seeking an experienced dealer, preferably a member of the Stock Exchange, to work within a small team on the floor of the Stock Exchange in the Gilt Edged Market.

Suitable candidates are likely to be aged between 30-35 years but experience of the Stock Exchange floor is more important than age.

Salary will be negotiable according to age and experience and other benefits include mortgage subsidy, non-contributory pension scheme and BUPA membership.

Applicants should write, enclosing c.v. to:

Simon Ellen, Director,
Baring Wilson & Watford,
8 Bishopsgate, London EC2N 4AE.

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Systems Development & Audit

c£27,000, Banking Benefits

This major international trading bank has a record of steady growth over many years.

Systems are an integral part of operations and so vital that the Board are investing further in ensuring their controlled operation and future growth.

This new position will report at a senior level and its broadly based duties will require analyses and recommendations on internal controls, data security and assessment of future strategy concerning applications hardware and software. Some, but not onerous, overseas travel may be involved.

Ideally the position will suit an auditor with banking, and adequate data processing expertise, but a likely profile is a qualified accountant still in the profession, with exceptional e.d.p., audit training and exposure to financial services. The converse, i.e. a data processing specialist in international finance is also possible. Age is likely to be 28-40 years. Benefits are excellent.

If you believe that you have the background and ability for this position please submit in confidence a comprehensive c.v. or telephone for a Personal History Form to *L.L. Duff*, Hoggett Bowers plc, *1/2 Hanover Street*, LONDON, *W1R 9WB*. 01-734 6852, quoting *Ref: 18133/FT.*

Close Brothers Limited

BANKING SYSTEMS MANAGER

City

We are seeking an experienced manager to take responsibility for supervising all our computer-based banking systems, the maintenance of all customer accounts, money-market settlements and controls, the compilation of data for inclusion in Bank of England returns, and all procedures involved and staff engaged in our banking operations.

The successful candidate (probably aged 30-45) will have:

— proven experience in an operations role within a large UK bank.
— expertise in the use of computerised accounting systems.
— the ability to participate in the initiation and production of systems policy and planning decisions.
— the ability to manage staff and to communicate well with senior management.

An attractive remuneration package will be offered to the right candidate.

Please write in confidence, with full career details to:

Peter J Stone
Director
Close Brothers Limited
36 Great St. Helen's
London EC3A 6AP

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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Wednesday October 22 1986

Sears aided by insurance growth

By Our New York Staff

SEARS ROEBUCK of the US, the world's largest general retailer, has boosted third-quarter profits 25 per cent on the back of a strong advance in earnings at its insurance subsidiary.

Net income for the quarter, which benefited from $33.3m in reduced pension expense, rose to $326.1m, or 88 cents a share, compared with $262.2m, or 71 cents, last time. Revenues rose 11 per cent to a record $11.17bn from $10.04bn.

Income from the Allstate insurance group was almost 56 per cent ahead at $200.9m, against $128.9m last time.

Mr Edward Brennan, chairman and chief executive, attributed the insurance unit's "excellent performance" to improved underwriting results and capital gains as well as lower-than-normal weather-related claims. Storm losses were unusually high in the 1985 quarter.

However, Dean Witter, the group's financial services unit, reported losses of $8m, against losses $7m, after the $28m cost of introducing the Discover credit card. However, securities income was $23.6m, compared with losses of $11.5m in 1985. Revenues for the sector were 23 per cent ahead at $637.3m.

The merchandise group's income edged ahead from $168.9m to $170m, helped by higher sales, stabilised margins and slightly lower selling and administrative expenses.

For the nine months Sears earned $808.3m, or $2.17 a share, against $751m, or $2.03, last time. Revenues were $31.3bn, up from $28.7bn.

Looking ahead Mr Brennan said that, in view of increased employment and discretionary consumer income, Sears and other retailers should experience "a reasonably good Christmas season."

Xerox bounces back into black in third quarter

BY RODERICK ORAM IN NEW YORK

XEROX, the US reprographics group, returned to profit in the third quarter with the help of buoyant financial services operations. Net income was $112m, or $1.03 a share, against a loss of $15m, or 28 cents, a year earlier. Revenues rose by 10 per cent to $2.32bn from $2.11bn.

Excluding losses from discontinued operations, Xerox had third-quarter 1985 net income of $21m, or 9 cents a share. This included a $87m special charge to strengthen reserves at Crum & Forster, its insurance subsidiary. Without these factors, net income from continuing operations was 26 per cent higher in the latest period compared to a year earlier.

Net income for the nine months ended September was $335m, or $3.08 a share, on revenues of $6.63bn, against $319m, or $2.95, on $6.16bn a year earlier. Net income from continuing operations in the 1985 period was $268m, or $2.41 a share.

Financial services contributed $176m towards net income in the first three quarters of this year against $70m, before the $87m charge at Crum & Forster, a year earlier. Non-consolidated revenues from the sector were $2.61bn against $2.18bn.

Higher prices, tighter underwriting standards and increased investment income lay behind Crum & Forster's improved net income from continuing operations of $162m in the nine months against $35m.

Xerox's reprographics operations reported lower net income from continuing operations of $171m in the year to date against $265m a year earlier. The company said this was largely because of weak capital spending by its customers.

Polaroid, the world's leading instant photography group, reported continued strong growth in profits and sales. Third-quarter net income was $23.8m, or 77 cents a share, on sales of $396.2m against $14.8m, or 48 cents, on $299.9m a year earlier.

Net profits for the nine months ended September was $64.1m, or $2.07 a share, on sales of $1.12bn against $10.9m, or 35 cents, on $868m a year earlier. Polaroid attributed the improved performance to higher sales volume and the weakening of the dollar.

The company said its Spectra instant-photography system introduced this spring in the US had produced "very gratifying results." The system was launched in Europe last month.

Linde sees higher turnover

By Andrew Fisher in Frankfurt

LINDE, the West German engineering and industrial gases company, expects turnover to show an overall 10 per cent gain this year and remains optimistic about profits.

The Wiesbaden-based company, the world's oldest producer of refrigeration equipment and the biggest maker of fork-lift trucks in Europe, said yesterday that the order inflow rose more than 10 per cent to DM 2.2bn ($1.1bn) in the first nine months of 1986.

The order backlog of DM 2.5bn was 7.4 per cent higher at the end of September than at the same time last year. Linde said its capacity was being operated at full stretch.

Last year, the company increased net profits almost 30 per cent to DM 81m on sales which were up about 4 per cent to DM 2.7bn. Its US fork-lift truck subsidiary, Baker Material Handling, made a profit for the first time. Profits were also made in France, where it took over the troubled Fenwick Manutention lift-truckmaker in 1984.

Linde said its materials handling and hydraulics division continued to do well, with turnover up 21.4 per cent to DM 809m and an order inflow almost 11 per cent higher at DM 862m.

In the process plant and construction sector, the order inflow showed a 21 per cent increase to DM 529m. Foreign business, however, was becoming harder as a result of the rise in the value of the D-Mark, especially against the dollar. Turnover was slightly lower at DM 458m.

Turnover in industrial gases rose about 5 per cent to DM 520m, while the refrigeration division suffered a 7 per cent drop in sales to DM 269m. But new orders for refrigeration equipment were 8.4 per cent higher at DM 327m.

Capital spending by the group totalled DM 94m by the end of last month and is expected to reach about DM 190m for the full year, well above depreciation levels and comparing with almost DM 150m in 1985.

CONSTRUCTION GROUP'S EXPANSION TAKES IT INTO THE RETAIL SECTOR

Bouygues buys store in Paris

BY PAUL BETTS IN PARIS

BOUYGUES, the leading French construction and civil engineering group, has acquired control for about FFr 300m ($46m) of one of the leading Paris department stores Aux Trois Quartiers in a new diversification move.

The construction company, which expects to report sales of FFr 45.8bn this year, said yesterday it had acquired 37,283 shares in Aux Trois Quartiers or the equivalent of a 58 per cent stake in the department store from the Paris-France group. Paris-France is a subsidiary of the Primisteres group which includes the Radar supermarket chain and the Felix Potin chain of stores controlled by the Moroccan Danilov group and Mr Gaith Pharaon, the Arab financier.

Aux Trois Quartiers, one of the most famous Paris department stores opposite the church of the Madeleine near the Place de la Concorde, also controls the Madelios clothing store. The store had sales of FFr 425m and profits of FFr 24m last year.

The latest acquisition by Bouygues comes at a time when the leading French construction group has been actively expanding through takeovers or purchases of stakes in other companies. Bouygues this year took over control of Screg, the country's second largest construction group, and recently disclosed it had acquired a 10 per cent stake in Spie Batignolles, another major French civil engineering company.

Bouygues has also announced plans to diversify in the new French deregulated television broadcasting business by trying to buy a major stake in TF-1, the state television channel due to be privatised.

Bouygues recently reported a 5 per cent increase in net consolidated first half group earnings to FFr 145.4m from FFr 138.4m in the first half of last year.

Pargesa lifts earnings above 55% on back of subsidiaries' results

BY WILLIAM DULLFORCE IN GENEVA

PARGESA, the Swiss holding company with financial and industrial interests in five European countries and the US, increased net earnings by more than 55 per cent in the first half of the year. The consolidated profit climbed to SFr 103.4m ($64m) from SFr 66.4m with earnings per share at SFr 116 compared with SFr 80.90 for the first six months of 1985 after adjusting for a capital increase.

The company's 1986 profit performance cannot be extrapolated from its first-half results because of the seasonal nature of its income from portfolio holdings, but Pargesa said yesterday that earnings per share would be higher than the adjusted SFr 125.70 recorded last year and the shareholder's dividend may be increased. A switch to reporting by the calendar year was effected for the 1985 account.

During the first half of the current year Pargesa's share in the results of its subsidiaries increased by 53 per cent. This was due in part to the strengthening of its positions in Groupe Bruxelles Lambert and Lambert Brussels.

Groupe Bruxelles Lambert and Pargesa plan to set up a joint holding company in France, which will be endowed with a capital of FFr 2.5bn ($385m) and will hold 51 per cent of the shares in a new bank to be formed from the merger of Société International de Banque and the Banque de Gestion Privée. It will also have a 20 per cent stake in the Schneider industrial group.

Since the beginning of the year Pargesa has raised SFr 368m through a one-for-six rights issue and an Ecu 100m bond issue with warrants.

In June Pargesa bought 5 per cent of the stock of Banque Paribas Suisse. It also owns half of the Société Financière de Paribas Suisse which in turn holds 51 per cent of the stock in Paribas Suisse.

Both the Banque Internationale à Luxembourg and Henry Ansbacher Holdings in London, in which Pargesa has minority stakes, contributed increased earnings during the first half of 1986.

Bond Brewing plans $700m debt issue

By Our Financial Staff

BOND BREWING Holdings, part of Mr Alan Bond's Perth-based group, has prepared the ground for a $700m debt issue in the US, a filing with the Securities and Exchange Commission in Washington has revealed.

The offer is being underwritten by Drexel Burnham Lambert, the specialist in high-yielding corporate debt issues. It has been arranged in the form of $500m in subordinated debentures due 2001, with a concurrent $200m principal amount of zero coupon senior notes due December 1990.

Proceeds are to be used to help repay debts and for other general purposes.

Bond Corporation, Mr Bond's master company, has recently embarked on an expansion in the Pacific region with the purchase of Hong Kong residential property for HK$1.4bn (US$183.3m) and a proposed equity deal with Atlas Mining of the Philippines. Its largest US purchase has been Pittsburgh Brewing for A$40m (US$25.5m).

In April, Bond refinanced domestic borrowings *through* a *A$1.3bn* credit facility led by Westpac.

Wometco Cable TV to be acquired for $625m

BY OUR NEW YORK STAFF

WOMETCO Cable TV, which was taken private three years ago in a leveraged buyout led by Kohlberg Kravis Roberts, is to be acquired for $625m in cash.

The deal is expected to be completed in a joint venture including the Robert M. Bass group, Taft Broadcasting and members of Wometco's management.

Mr Robert Bass is one of the four Bass brothers of the wealthy investment family of Fort Worth, Texas. He has almost 20 per cent of Taft's common stock and four representatives on the board.

Wometco operates cable TV systems serving about 350,000 people in Alabama, Georgia, Louisiana, Mississippi, the Carolinas and West Virginia.

Completion of the deal, subject to regulatory approval, is expected in December.

Last August Taft put its five independent TV stations up for sale at a price of about $350m.

Citicorp boosted by retail banking gains

BY WILLIAM HALL IN NEW YORK

CITICORP, the biggest US banking group, continues to benefit from its heavy investment in retail banking which underpinned a 9 per cent rise in third-quarter net income to *$247m, or $1.63* per *share.*

The group says that its consumer business continues to report strong gains in revenue and earnings for both the quarter and the nine months it is 38 per cent ahead at $332m.

It continued to register growth in market share for its credit card businesses and the New York branch system, as well as in domestic mortgages where loan originations remained at record levels.

Citicorp's investment banking operations also reported a sharply improved performance with third-quarter net income 32 per cent higher at $94m. For the nine months, the contribution rose 22 per cent to $259m.

Earnings from traditional corporate banking products were up slightly for the quarter at $90m but for the nine months the profits were 12 per cent lower at $313m. The company says that the performance on this side reflects continued high credit write-offs, poor trading results and rapid expense growth.

The Citicorp results bring to an end the latest third-quarter results for the major US money centre banks. Among the regional banks reporting their third-quarter results yesterday, **Wells Fargo** posted a 59 per cent jump in net income to $77.4m, or $2.70 a share, and Texas Commerce Bancshares reported net profits up by 10.1m compared with $21.4m last year.

At the end of the third quarter its non-performing assets were $840m or 6.5 per cent of total loans. This compares with $627m or 4.6 per cent of loans, a year ago.

First City Bancorporation of Texas, which has been among the banks hardest hit by the collapse in oil prices, has omitted its dividend. The company last paid a 2½ cents dividend on September 15 and the management said yesterday that it would recommend the suspension of the dividend at the next board meeting in November.

Nortel shows marked improvement

By Bernard Simon

NORTHERN TELECOM, the Canadian digital telecommunications supplier, has raised third-quarter earnings to US$59.4m, or 51 cents per common share, from $58.4m or 50 cents a share a year earlier. The rise was attributed to improved margins from central office switching equipment.

The third-quarter results are a marked improvement from Nortel's performance earlier this year, which was dented by competition in the US and the costs of resolving software problems on some of its equipment.

Earnings for the nine months to September 30, totalling $160.7m, were 15.4 per cent below 1985 levels.

Third-quarter revenues rose from $995m to $1.03bn, but revenues for the first nine months of the year were slightly down at $3.07bn.

Mr Edmund Fitzgerald, the chairman, said the improved product mix in the third quarter was partly offset by higher sales and administrative expenses and increased spending on research and development.

He predicted an excellent fourth quarter, after a further rise in central office switch sales and margins, especially in Canada.

Canadian revenues rose by 9.1 per cent in the third quarter, while sales in the US, which has become an increasingly important part of Nortel's business in the past three years, slipped by 3 per cent. The US contributed 63 per cent of total third quarter revenues, with Canada making up 27 per cent.

Mobil blames lower oil price for decline

BY OUR NEW YORK STAFF

MOBIL, the second biggest US oil group, blamed lower world oil prices for a fall in third-quarter revenues from $14.7bn to $11.2bn.

At the operating level, profits were also well down from $392m, or *96 cents* a share, to 332m, or 82 cents a share.

However, the group returned to net profits from a loss of $116m last time, struck after a $506m charge for the restructuring of Montgomery Ward, its department store subsidiary. Net profits for the current quarter were $182m, after a $150m loss on the sale of Container Corp, its paper-board and packaging unit.

Revenues were also well down at the nine-month stage, falling from $44.06bn to $37.23bn. However, operating profits advanced to $1.35bn from $1.12bn, or from $2.75 a share to $3.32 a share.

Net profits, after taking into account the charges this time for Container Corp and last time for Montgomery Ward, grew from $615m to $1.2bn.

In early trading on the New York stock exchange, Mobil shares fell $⅝ to $37¼.

Warner progress continues

By Our Financial Staff

WARNER Communications, the US entertainment and film production group, showed a gain in its third-quarter earnings to $41.7m, or 28 cents a share, from $34m, or 25 cents a share, in the same period last year. Sales were up a quarter to $2bn from $1.58bn a year earlier.

The third-quarter figures leave Warner 47 per cent ahead for the first nine months, with net profits of $123.7m (87 cents a share) against $84m (61 cents a share) in the first nine months of 1985. Earnings per share are adjusted for a two-for-one stock split last August.

Warner said that acquisitions during the year, notably of American Express' 50 per cent share in Warner Cable, as well as disposals, had contributed a net $3m or 2 cents a share to net profits in the third quarter. The nine months figures also included a net gain of some $26m from the sale of shares in Hasbro, following a comparable $8m share disposal last year.

The third-quarter figures nonetheless underline Warners steady return to financial good health – a development that Mr Steven Ross, the chairman, indicated last month had already led it to consider a range of possible acquisitions.

Fireman's Fund profits up sharply

BY OUR NEW YORK STAFF

FIREMAN'S Fund, the Califonia-based property and casualty insurer spun off from American Express a year ago, has reported a sharp increase in earnings.

Net profits for the third quarter ended September were $62.85m, or 95 cents a share, against $20.36m a year earlier. Net earnings *for* the year to date were $148.04m, or $2.24 a share, against losses of $67.36m a year earlier. No per-share income was calculated in 1985 because the group remained part of American Express until October 23.

Revenues rose to $937.97m in the latest quarter from $853.24m a year earlier and to $2.68m in the year to date from $2.5bn.

Its underwriting ratio improved 7 percentage points in the third quarter to 107.2 per cent, the lowest level since the fourth quarter of 1982. The ratio for the nine months was 108.8 per cent against 126.4 per cent.

Mr Jack Byrne, chairman, said: "Insurance operations are ahead of plan. The balance sheet is stronger." The main growth in profits came from special insurance lines and selected areas of commercial business.

L'Air Liquide finalises deal in US

By Our Paris Staff

L'AIR LIQUIDE, the leading French industrial gases group, confirmed yesterday that it had completed its $1.1bn takeover of Big Three Industries of the US.

The completion of the deal, one of the biggest US acquisitions by a French company, follows approval for the takeover from the US Federal Trade Commission. The approval came after the French company agreed to shed a number of plants and other assets to conform with US anti-trust regulations.

The acquisition will enable L'Air Liquide to increase its share of the US industrial gases market from 14 per cent to 20 per cent.

GTE third-quarter income up 12%

BY OUR NEW YORK STAFF

GTE, the US telecommunications and electrical equipment group, has lifted third-quarter net income 12 per cent to $325m or $1.45 a share from $290m or $1.33 last time.

But included in the quarter is a $32m after-tax gain, equivalent to 15 cents a share, from the consummation of the group's joint venture with Siemens of West Germany. Last month Siemens paid $420m for its 80 per cent stake in the venture which involves GTE's domestic and international transmission systems businesses, as well as its public switching and business operations abroad.

Revenues for the quarter edged ahead to $3.6bn from $3.6bn, and for the nine-months from $10.5bn to $11.1bn. Nine-month earnings were $916m or $4.12 a share.

For purposes of comparison last year's revenue figures have been restated to exclude revenues from operations transferred to US Sprint, the joint venture in long-distance telephones and data communications formed with United Telecommunications earlier this year.

INTERNATIONAL COMPANY NEWS

GM launches plan for rescue of debt-ridden Holden

BY CHRIS SHERWELL IN SYDNEY

GENERAL Motors Holden, once the king of the Australian motor industry but now a debt-ridden loss maker, is to be bailed out of its troubles by its US parent.

A restructuring package announced in Detroit and Melbourne will split the company into two from December. One arm will be an engine and components operation and the other a motor company.

GMH is also to be relieved of its debt burden. Long-term debts were put at A$300m (US$134m) at the end of last year, creating heavy interest repayments which, together with weakening sales, and a depreciating Australian dollar, were adding to the company's losses.

On cumulative bases these losses have previously been estimated at above A$500m. The company reported a pre-tax 1985 loss of almost A$100m and 1986 has been another disappointing year, not helped by the Government's introduction of a fringe benefits tax.

The company is one of five local manufacturers, each of which is owned by a US or Japanese parent. The others are Ford, Toyota, Nissan and Mitsubishi. In recent years GMH has slipped from its number one position to number three behind Ford and Toyota, taking about 17 per cent of the market.

In 1984, the Government unveiled a long-term rationalisation plan for the Australian car industry which foreshadowed a reduction both in the number of manufacturers and the number of different models they produced. Before this the motor industry, along with the textile industry, had been one of the most highly protected in Australia with the local producers assured of 80 per cent of the market.

GMH employed about 25,000 workers at its peak but had only 10,000 in July. A strike this week at one of its component suppliers has resulted in layoffs of 2,500 employees in South Australia and Victoria.

BATTLE HOTS UP FOR FRANCE'S PRESSES DE LA CITÉ

Benedetti lifts stake in publisher

BY PAUL BETTS IN PARIS

CERUS, the new French holding company of Mr Carlo De Benedetti, and Pechelbronn, a holding of the French Groupe Worms, have increased their stake in Presses de la Cité, the second largest French publishing group, to nearly 20 per cent, Mr Claude Pierre-Brossolette, the chairman of Cerus, said yesterday.

Cerus and Pechelbronn announced last month that they had acquired 16.25 per cent in the publishing group and subsequently launched a bid to acquire control of Presses de la Cité through a share swap plus cash worth about FFr 2,950 ($454.50) a share.

However, Générale Occidentale, the main company of Sir James Goldsmith, has launched a counter-bid involving a share swap worth about FFr 3,170 a share for Presses de la Cité.

Since then, both Générale Occidentale and Mr De Benedetti's French partners have acquired shares on the market. Mr Pierre-Brossolette indicated yesterday that Cerus and Pechelbronn now owned nearly 20 per cent of the publishing group.

But the bourse expects the take-over battle between Mr De Benedetti and Sir James Goldsmith to heat up further with an increase in the bidding. There also is growing expectation of a third group entering the bidding for Presses de la Cité.

Speculation is centred on Hachette, the largest French publisher, which is believed to be closely watching developments.

Mr Pierre-Brossolette said that Cerus and its partner regarded Presses de la Cité as offering good turnround potential. However, he made it clear that Cerus would not pay any price for the publisher. He added that the deal already represented a substantial capital gain.

Mr Pierre-Brossolette also said that, unlike Sir James Goldsmith, the French holding of Mr De Benedetti had no ambitions at this stage to invest in the deregulated French television broadcasting market. He suggested Sir James was interested in acquiring Presses de la Cité to boost his opportunities in the broadcasting field. Hachette has also made it clear it wants to acquire a major stake in the deregulated television broadcasting market.

Mr De Benedetti is also planning a restructuring of his French Buitoni food interests, which will absorb Buitoni's UK and Dutch subsidiaries. This will turn the French Buitoni subsidiary into a concern with annual sales of FFr 4bn and earnings of FFr 90m.

Cap Gemini continues funds drive

BY PAUL BETTS IN PARIS

CAP GEMINI Sogeti, the leading French computer services company, is launching the second part of its FFr 1bn ($154m) capital increase announced earlier this year.

The second stage of the major fund-raising operation involves an issue of 271,875 new shares to be offered at FFr 1,800 each. This will raise FFr 489.4m and complete the company's FFr 1bn capital funding. Cap Gemini issued 328,250 bonds with warrants last June, raising a total of FFr 587.3m.

The company continues to expect a further increase in earnings and sales this year. Turnover is expected to increase to FFr 5bn this year from FFr 4.2bn last year when the company reported a 38.5 per cent increase in profits to FFr 132.9m. In the first four months of this year, company turnover rose 36 per cent to FFr 932m.

Elscint slides into the red but sales indicate turnround

BY JUDITH MALTZ IN TEL AVIV

ELSCINT, a leading Israeli manufacturer of medical diagnostic equipment, has reported losses of $115.7m for the year ending March 31, 1986. This is in line with preliminary forecasts of the worst results ever recorded by an Israeli company. The company's losses previously were $50.5m.

Total sales, mostly from exports, fell a modest 5 per cent to $124m. About 60 per cent of Elscint's products are sold in the US where the medical equipment market has recently been depressed.

A spokesman said quarterly sales held steady from the end of March at about $30m, indicating a return to the black by the end of this fiscal year.

Once regarded as the flagship of Israeli high-technology, Elscint began to encounter problems several years ago as a result of over-expansion. A major re-organisation, involving top management changes and cuts in the labour force, was launched in mid-1985, but a Government-arranged bail-out by a group of leading Israeli banks was still needed earlier this year.

Last month Elscint signed an agreement with seven banks and its major shareholder, Elron Electronic Industries, to cancel a major portion of its $140m debt and reschedule the balance. The agreement is to be ratified at a shareholders' meeting in late November.

Abitibi-Price lifts profits in third quarter

By Bernard Simon in Toronto

ABITIBI-PRICE, the world's leading newsprint producer, lifted net earnings to C$81.3m (US$58.9m), or C$1.11 a share, in the nine months to September 30 from C$70.4m, or 99 cents a share, a year earlier.

The latest results exclude an extraordinary charge of C$2.3m, equal to 3 cents a share, reflecting the sale of a kraft-pulp mill at Smooth Rock Falls, Ontario, and the write-down of the Shipshaw sawmill in Quebec which has been closed.

Sales rose from C$1.88bn to C$2.07bn, but the increase was eroded by higher costs, tax provisions and a small foreign exchange loss. New accounting guidelines on pension costs lifted earnings 18 cents a share.

Stiff competition is expected to remain in the distribution, converting, coated-papers and building products sectors.

Malaysia Mining losses blamed on low tin prices

BY WONG SULONG IN KUALA LUMPUR

MALAYSIA MINING (MMC), the world's biggest tin producer, has reported group pre-tax losses of 4.14m ringgit (US$1.58m) for the first half to July compared with profits of 21.7m ringgit previously.

The net loss was only 2.52m ringgit, however, reflecting a tax recovery following dividend payments to MMC from past profits of subsidiary companies. Net earnings were 7.52m ringgit in 1984-85.

Turnover fell 52 per cent to 166m ringgit. The loss was blamed on lower tin prices, lower sales volume, and the recognition of the unrealised loss in tin stocks which were stated at market value being lower than the cost of production.

The results were further compounded by higher interest charges and retrenchment costs.

MMC said all its associated companies in the tin industry performed badly, but the group received a valuable dividend contribution from its 46 per cent associate, Ashton Mining of Western Australia. Ashton has a 38 per cent stake in the giant Argyle diamond joint venture.

In the absence of any significant improvement in tin prices, results for the second half are not expected to improve materially. The interim dividend is being halved to 1 cent a share.

Because of depressed tin prices, only half of MMC's 2 dredgers are in production.

N. AMERICAN QUARTERLIES

AMCA INTERNATIONAL
Construction equipment

Third quarter	1986 $	1985 $
Revenue	245m	337.9m
Net profits	†96.16m	5.45m
Net per share	1.79	—
Nine months		
Revenue	835.6m	960m
Net profits	144.2m	13.6m
Net per share	1.78	†0.94

† Loss

AMERICAN PRESIDENT COS.
Container shipping

Third quarter	1986 $	1985 $
Revenue	354.2m	301.4m
Net profits	9.3m	14.2m
Net per share	0.45	0.68
Nine months		
Revenue	1.03bn	941.4m
Net profits	3.6m	38.2m
Net per share	0.17	1.85

BAUSCH AND LOMB
Contact lenses

Third quarter	1986 $	1985 $
Revenue	190.1m	164.7m
Net profits	20.7m	18.6m
Net per share	0.69	0.62
Nine months		
Revenue	514.1m	443.3m
Net profits	52.6m	45.9m
Net per share	1.74	1.57

GENERAL SIGNAL
Instrumentation, control systems

Third quarter	1986 $	1985 $
Revenue	391.3m	420.7m
Net profits	18.6m	20.1m
Net per share	0.65	0.70
Nine months		
Revenue	1.21bn	1.34bn
Net profits	56.9m	71.6m
Net per share	1.98	2.50

KANSAS CITY POWER & LIGHT
Utility

Third quarter	1986 $	1985 $
Revenue	203.7m	172.9m
Net profits	41.2m	52.7m
Net per share	1.17	1.56
Nine months		
Revenue	650.9m	594.2m
Net profits	128.3m	165.3m
Net per share	3.42	4.79

MELLON BANK
11th biggest US bank

Third quarter	1986 $	1985 $
Revenue	—	—
Net profits	52.4m	47.02m
Net per share	1.78	1.65
Nine months		
Revenue	—	—
Net profits	167.6m	156.7m
Net per share	5.78	5.58

MORRISON-KNUDSEN
Engineering, construction

Third quarter	1986 $	1985 $
Revenue	513.9m	581.1m
Net profits	10.2m	10.3m
Net per share	0.92	0.96
Nine months		
Revenue	1.58bn	1.63bn
Net profits	28.5m	28.3m
Net per share	2.6	2.63

PENNWALT
Chemicals, pharmaceuticals

Third quarter	1986 $	1985 $
Revenue	272.2m	247.5m
Op. net profits	14m	†14.7m
Net per share	0.98	†1.77
Nine months		
Revenue	828.6m	762m
Op. net profits	39.4m	4.9m
Net per share	2.76	†0.22

† Loss

TEXACO CANADA
Energy resources

Third quarter	1986 C$	1985 C$
Revenue	640m	906m
Net profits	70m	66m
Net per share	0.58	0.53
Nine months		
Revenue	2.18bn	3.26bn
Net profits	208m	237m
Net per share	1.72	1.92

TORONTO SUN PUBLISHING
Newspaper publishers

Third quarter	1986 $	1985 $
Revenue	80.6m	78.2m
Net profits	2.8m	2.1m
Net per share	0.26	0.21
Nine months		
Revenue	245.1m	239m
Net profits	9.8m	7.9m
Net per share	0.87	0.79

US WEST
Bell telephone holding co

Third quarter	1986 $	1985 $
Revenue	2.14bn	1.97bn
Net profits	288.3m	252.9m
Net per share	1.41	1.33
Nine months		
Revenue	6.22bn	5.81bn
Net profits	718.4m	682.7m
Net per share	3.78	3.62

USG CORP
Gypsum products

Third quarter	1986 $	1985 $
Revenue	728.9m	689.5m
Op. net profits	69.3m	65.4m
Net per share	1.09	0.95
Nine months		
Revenue	2.03bn	1.75bn
Net profits	196.7m	169.8m
Net per share	3.07	2.54

INTL. COMPANIES and FINANCE

MIM to float company for PNG gold operation

BY KENNETH MARSTON, MINING EDITOR

AUSTRALIA'S base metal-producing MIM Holdings is to float a new company, Highlands Gold, to hold its one-third stake in the big Porgera gold venture and other exploration interests in Papua New Guinea. The proceeds will be used for further exploration and development of Porgera.

Announcing this at the annual meeting in Brisbane, Mr Bruce Watson, MIM chairman, said shareholders would be given the opportunity to invest in the new company. He added that Porgera was emerging as one of the largest high-grade gold properties in the world.

Ore reserves have been put at 76.8m tonnes grading an average 3.8 grams gold per tonne (G/T) plus a rich zone holding 1.7m tonnes grading 40 G/T. The other Porgera partners are Placer Pacific and the Consolidated Gold Fields group's Renison Goldfields Consolidated.

For the first quarter of the year to next June MIM's net profit has dropped to A$9.93m (US$6.33m or £4.24m) before an extraordinary charge of A$34.5m. The net profit for the same period of last year was A$18.18m.

Latest earnings have been hit by lower sales and prices for most metals, particularly silver and nickel, while copper output was affected by maintenance work on an anode furnace. The company said that the weakening of prices for coal and metals, other than zinc, has eroded revenue gains from the depreciation of the Australian dollar.

The latest extraordinary charge of A$34.5m arises from Australia's new accounting requirement regarding foreign exchange losses. Criticising the requirement, Mr Watson pointed out that the company has to deduct possible future exchange losses from current profits and in the past quarter it has written off A$128.6m in unrealised exchange losses against accumulated profits.

Mr Watson said that MIM was committed to product and geographic diversification in the metals and energy sector. He described the recent purchase by MIM, Metallgesellschaft and Teck as essentially an investment in North America, in the future of zinc and in some promising mineral deposits and processing facilities.

Disposal by Japanese typewriter maker

By Carla Rapoport in Tokyo

SILVER SEIKO, the Japanese maker of Silver Reed typewriters, has agreed to sell off a lossmaking subsidiary in a move which underlines the fast-changing nature of Japan's exporters.

Silver Seiko, Japan's third largest typewriter maker, is suffering from the effects of the strong yen and facing punishing dumping duties on its exports to the EEC. The buyer is Plus Corporation, a company which has come out of nowhere on the strength of two smash hit inventions — a hand-held copying machine and a high-tech personal stationery kit.

Already Silver Seiko had been planning to shift assembly and production of the bulk of its typewriters to South-East Asian or European countries in order to shelter from the effects of the high yen. Its decision to sell off a lossmaking typewriter assembly plant at home, however, is an unusual move in a country where most companies still aim to provide continuous employment for their workers.

Plus Corporation, a privately held company, is understood to have paid about Y1bn ($6.5m) for Silver Seiko's Saitama subsidiary in northern Tokyo. The unit had sales of about Y4.1bn last year. However, Plus does not intend to use the facility to make typewriters.

Plus, a stationery and office furniture company, intends to use the factory and all its 120 employees to make its fast-selling Copy-Jack, a hand-held copying machine which helped boost the company's profits by more than 60 per cent in the year to May.

About double the size of an electric shaver, the Copy-Jack copies documents with a roll of thermal paper. Sales of the machine alone last year were about Y5bn. Plus it also wants to use the factory to make electronic blackboards.

The other product which pulled Plus out of obscurity has been one of the fastest selling stationery items in Japan: Team Demi, a well-designed plastic box of scissors, stapler, ruler and other items. Team Demi also sold well overseas, helping total Plus sales in the year ended May to reach Y60bn.

Silver Seiko, on the other hand, with 40 per cent of its sales from knitting machines and 60 per cent from typewriters, dropped into loss in the year ended last March on sales of some Y30bn.

Chase lifts Wah Kwong hopes

BY DAVID DODWELL IN HONG KONG

HOPES WERE raised yesterday that Wah Kwong, the ailing Hong Kong shipowning group, can be successfully rescued when Chase Manhattan Bank reached agreement on a compromise under which it will withdraw writs issued against the group.

Efforts to rescue Wah Kwong, which was Hong Kong's third largest shipowner when it collapsed in January with debts amounting to US$850m, have been jeopardised over the past month since Chase broke ranks with the group's 45 other creditors by rejecting the reconstruction plan now under consideration.

Apart from issuing writs against guarantors of outstanding loans, Chase has arrested three vessels over which it has security, and prompted a number of other creditors to drag their feet in agreeing to the reconstruction deal.

The initial agreement reached yesterday removes a formidable obstacle to a successful restructuring of the group. In return for withdrawing writs, Wah Kwong has agreed to allow Chase to sell the vessels over which it has security, with the proceeds going to the US bank.

Chase said yesterday that it would be willing to participate in the restructuring of Wah Kwong "subject to certain details that must be complied with by the end of the week." It did not specify what these details were.

Wah Kwong has been living from hand to mouth since August 28, when an interim plan intended to provide breathing space for a rescue to be arranged expired.

Optimism about a successful rescue rapidly faded late in September, when First Interstate Bank of the US, First Canadian Financial Corporation, and then Marine Midland Bank joined Chase in arresting vessels.

The only bolstering news at that time was that the powerful Peking-backed China International Trust and Investment Corporation (Citic) had reached a preliminary agreement to form a joint venture shipping company with Wah Kwong if the reconstruction succeeded.

Wah Kwong is one of two shipowning groups in Hong Kong which floundered in the past year. C. H. Tung, the territory's second largest shipowner, collapsed late last year with debts estimated at US$2.6bn.

Pennzoil stops China drilling

PENNZOIL of the US is to close its offshore oil base at Zhanjiang in China's southern Guangdong province because of disappointing drilling results, Reuter reports from Hong Kong.

A Pennzoil official said from Zhanjiang that a consortium which has the contracts for two blocks in the Beibu Gulf would be dissolved. It includes Pennzoil, Sun Company of the US, Ampol Exploration of Australia and Hispanica de Petroleos of Spain.

Pennzoil has spent $18.8m on China offshore oil exploration. Neither block showed any traces of oil from a total of five wells.

Sierra Leone mining deal

BY OUR MINING EDITOR

AFRO - WEST MINING, an Australian gold and diamond exploration company, yesterday announced an exclusive agreement with the Sierra Leone Government for a diamond mining operation, the Koidu Kimberlite project.

A company is to be floated to hold the assets of the venture. Shares will be offered to the public, while Afro-West in partnership with the Government will hold a significant equity stake.

Gem quality diamonds have been mined from alluvial deposits in Sierra Leone for many years, but illicit mining has been rife. The mining areas, once worked by a subsidiary of Selection Trust, are controlled by the Sierra Leone Government.

Production has been falling in recent years. Afro-West aims to increase it by tackling two known kimberlite pipes, a mining operation which would have better security than the widespread alluvial workings which are difficult to police effectively.

INTERNATIONAL CAPITAL MARKETS and COMPANIES

World bankers debate regulation

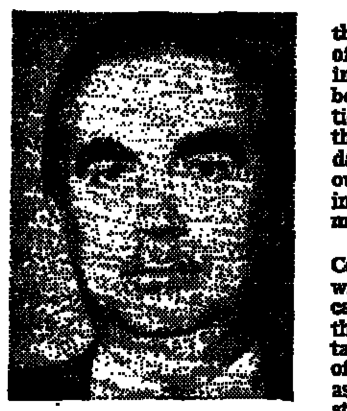
BY DAVID LASCELLES

THE REGULATION of international banking activities is to be discussed at a big meeting of banking supervisors which begins in Amsterdam today. Some 180 officials representing the banking authorities of 90 countries are gathering at the invitation of De Nederlandsche Bank, the Dutch central bank.

The meeting will be chaired jointly by Mr Peter Cooke, the assistant director of the Bank of England, and Mr H. J. Muller, executive director of Nederlandsche Bank. Mr Cooke heads the so-called Basle Committee of international bank supervisors which co-ordinates banking supervision among the Group of Ten countries.

The two-day event is not intended to produce any far-reaching agreements about banking supervision. But it will give officials a chance to debate banking matters at a time when events, such as London's Big Bang, are producing a flood of new practices in financial markets. It will probably end with a communique on Friday setting forth the authorities' view of the major regulatory issues.

As the latest of a number of such meetings held every two years (previous ones were in London, Washington and Rome) it extends the efforts of banking supervisors to maintain contact and harmonise their practices. The 1984 Rome meeting ended with a call by officials for closer co-operation.



Peter Cooke: measuring the strength of banks

Today's proceedings will be opened by Dr W. F. Duisenberg, governor of the Nederlandsche Bank, who is expected to stress the supervisors' perennial concern with the capital strength of banks, and the need for effective supervision. Other speakers will include Mr Alexandre Lamfalussy, the general manager of the Bank for International Settlements (BIS), the central bankers' central bank.

The two themes selected for the conference are the adequacy of bank capital, and ways to improve information-sharing between the supervisory authorities of different countries under the terms of the Basle Concordat, the agreement which sets out responsibility for supervising banks which operate in more than one country.

On capital questions, Mr Cooke is expected to call for wider use of the so-called risk capital concept for measuring the strength of banks. This takes into account the riskiness of various bank assets as well as their size. It has become standard in EEC countries, has been partially introduced in Japan, and the US is considering it.

Officials will also seek wider agreement on a common definition of capital, which has been blurred by the variety of new instruments now used by banks to raise funds from lenders and investors. As to the adequacy of bank capital, the meeting is certain to note that banks have much stronger capital ratios today than they had two or three years ago. But some officials will argue that capital needs to be still higher, given the risks that banks face in the markets.

The recent Cross Report on innovation in banking produced by the BIS will provide further force to those who believe that new practices, such as "off balance sheet" lending, call for still higher levels of capital.

As to the implementation of the Concordat, officials will discuss ways of tracking the activities of banks which expand into new jurisdictions, and the respective responsibilities of authorities in a bank's home and host countries.

The meeting specifically expects to discuss the obstacles to information-sharing created by banking secrecy laws in some countries.

The role of auditors in the supervisory process will also be raised. Although this has principally become an issue in the UK in the wake of the Johnson Matthey Bankers affair and the Government's efforts to put together a new Banking Act, several other countries are examining it too. The question is how deeply professional auditing firms should be involved in supervising banks, even to the extent of acting as the authorities' agents.

The meeting's organisers stress that there will be "no headline news." But the message they want to get across is that, while slow, progress is nonetheless sure.

Bonds rise on US economic news hopes

BY CLARE PEARSON

EUROBOND PRICES firmed slightly yesterday as hopes grew that today's third quarter US GNP figures would show slower-than-expected growth, and this encouraged new issue managers to launch $768m worth of new dollar bonds.

Societe Generale led a perpetual floating-rate note for itself which was increased from $300m to $500m following strong early demand from Far Eastern investors. Later the deal was quoted at a bid price of 99.85, against a 100.05 issue price.

The issue pays interest at a rate of 7½ basis points over six-month London interbank offered rate. It is callable after five years at par, and a clause allows for interest payments to be cut if the bank halts dividends but these will be recovered when dividends resume.

Societe Generale was also active in the fixed-rate sector, leading a $60m six-year 8 per cent bond for Norwegian Bergen Bank. The par-priced issue was quoted at a bid price of 98⅛, the level of its total fees.

Meanwhile, Chase Manhattan launched an issue for European Coal and Steel Community with a life of 10 years. Long maturities are out of favour with investors, uncertain of the direction of interest rates, at the moment, and this bond traded at discounts

The $108m 8½ per cent bond was priced at 101½. The European Coal and Steel Community is swapping the proceeds into D-Marks.

Swiss Bank Corporation launched a $100m seven-year 8½ per cent bond for Dayton Hudson, the US department store group. The bond, priced at 101, appeared too late in the day to trade actively.

McLeod Young Weir International issued a C$75m four-year 9½ per cent bond for Canada's Federal Business Development Bank. Terms will be reset for the final two years in November 1988, but at that time investors will be able to put the bond, priced at 100½, at par.

The bond was launched at a cost of 30 basis points over two-year Canadian Government bonds. It traded at about 99½, a discount at the level of its total fees.

Daiwa Europe led a Y40bn five-year bond for double-A rated New Zealand on aggressive terms. The deal pays interest at 5½ per cent and is priced at 101½. A trading level was not available yesterday.

In the D-Mark market prices were marked down in early trading by about ½ point but later recovered, as the US Treasury market opened firmer, to end unchanged to slightly lower on the day. Trading was thin and mostly inter-professional.

Deutsche Bank led a DM 60m equity warrants bond for Bando Chemical Industries, in its first Eurobond issue. The five-year bond has an indicated coupon of 2½ per cent, but terms will be set on October 28. The deal traded at discounts at the level of, or slightly below, the 2½ per cent fees.

In the Swiss franc market prices were unchanged in average volume.

Morgan Guaranty (Switzerland) led a SFr 100m 10-year 5½ per cent bond for Chrysler Financial Corporation, a name which should appeal to retail investors. The swap-related deal is priced at 100½.

Credit Suisse led a SFr 120m eight-year 4¾ per cent bond for Chugoku Electric Power. The issue, priced at 99½, is callable in 1991 at 101 and then at declining premiums.

Swiss Volksbank priced a recent SFr 150m 10-year bond for Co-op, the Frankfurt-based food retailer. The bond has a yield of 5½ per cent, as opposed to an indicated 5¼ per cent. Dealers said the issue was meeting firm demand.

Union Bank of Switzerland priced a SFr 50m five-year equity warrants bond for Prima Meat Packers. The coupon was cut to 2½ per cent, ½ per cent below its indicated level.

Emperor coins outshine NTT issue

By Carla Rapoport in Tokyo

BRITISH TELECOM it is not: Japanese investors have been reacting with a distinct lack of enthusiasm to this week's initial marketing efforts by securities companies to sell shares in Nippon Telephone and Telegraph, Japan's first large-scale privatisation issue.

Tantalisingly, there have been huge queues outside Tokyo banks this week. These are not potential NTT investors, but people seeking a chance to buy gold and silver coins commemorating the 60th anniversary of the Emperor's reign.

By contrast, special NTT desks set up at securities brokers' outlets around Tokyo were distinctly devoid of customers. The reasons given for the cool reception to NTT are, in part, reminiscent of the British government's troubles over the Britoil sell-off a few years ago.

The first tranche of NTT shares, about 1.95m, will be sold by tender. This means that a price for the first tranche has yet to be struck. Institutional investors have completed their bidding for the first 200,000 shares from the first tranche. The Ministry of Finance plans to use the results of the bids to set a price for individual investors. That price is expected to be announced this Friday.

Securities firms say that the price may be between Y900,000 and Y1.2m a share. According to stockbrokers Jardine Fleming, at Y1.2m the share would have an historic price-earnings ratio of 166 and a yield of 0.32 per cent. At Y1m the p/e would be 110 and the yield of 0.5 per cent.

As a result, it is not hard to see why investors are currently favouring gold coins.

"The Emperor coins have a guaranteed face value, but no one knows what will happen to NTT shares," said an NTT executive yesterday.

A further dampening factor is the gloomy state of the Tokyo stock market, where prices have been slipping since early September.

"So far, it has been slow, but steady. Things will pick up after the price is fixed," said a Nomura official yesterday.

Investors will be able to submit applications for NTT shares to the Ministry of Finance between November 17 and 26. The Ministry plans to announce allocations of shares by the end of the year.

This year's sales will be the first of four annual sales of 12.5 per cent of NTT's shares each. Foreigners will be excluded from buying any of the first tranche, but are expected to be included in the second tranche next year.

Further Dome holders agree to waivers

By Our Euromarkets Staff

Holders of three Eurobonds, worth $103.13m, issued by Dome Petroleum, the troubled Canadian energy company, finally agreed yesterday to a temporary waiver of principal and interest payments while the company carries out a recapitalisation plan.

Yesterday's approvals to waive payments from October 31 until not later than June 30 next year, were obtained at reconvened meetings in London. Meetings earlier this month had been adjourned because there were insufficient people for quorums. However, holders of two other dollar Eurobonds, worth $125m, approved the company's proposals on December 2.

Dome's next hurdle is to obtain waivers by mail from holders of three Swiss franc bonds issued by Dome, totalling SFr 300m ($184m). The group needs approvals representing 70 per cent of the value of the Swiss franc bonds, by this Friday.

A special payment of $4.6m of interest accrued till October 31 will be made to bond holders, subject to major international creditors agreeing to extend an interim debt payment plan.

Daewoo Corp. seeks term loan of $45m

DAEWOO Corporation of South Korea is seeking a $45m three-year term loan to provide working capital. The lead manager is KEB (Asia) Finance.

The loan has a two-year grace period and carries interest at five basis points over Sibor, three-month Singapore interbank offered rate. Commitment fee is ⅛ per cent per annum.

KEB is joined by Alahli Bank of Kuwait KSC, Arab Bank, Istituto Bancario San Paolo di Torino and the State Bank of New South Wales in the lead management group. Reuter

Action required to prevent flow-back of equities

BY HUGO DICKSON

THE PROPOSED merger of the London Stock Exchange and the International Securities Regulatory Organisation (Isro), and the international share placing of Fiat, the Italian car maker, last month, dominated the Financial Times conference on global equity markets in London yesterday.

Speakers said the much-criticised Fiat issue showed that flow-back in global equity markets still had to be solved, that the systems for disclosing relevant financial information needed streamlining and that the market was still immature.

Most speakers were bullish about the merger between Isro and the Stock Exchange. Mr Andrew Large, chief executive of Swiss Bank Corporation International, said it was exciting. Mr Large is destined to be the head of the Securities Association if the SRO (self regulatory organisation) for the combined body goes ahead.

The merger would improve London's standing as the financial centre vis-à-vis both New York and Japan, and the rest of Europe, he said.

He also pinpointed some of the international regulatory issues that needed tackling, including the different prospectus requirements and marketing techniques in different countries.

Mr Gary Lynch, director of the US Securities and Exchange Commission, explained how the commission was working towards reciprocity i nthe recognition of prospectuses by different national regulatory authorities.

However, insufficient disclosure requirements in some countries meant that, initially, agreements would be limited to Canada and the UK.

Mr Lynch pointed out how international co-operation had made the fight against fraud more effective. Last month's memorandum of understanding between the SEC and the UK's Department of Trade and Industry would be followed by a series of bilateral deals with other countries. A multilateral approach to securities regulation, however, was a distinct prospect.

Mr Richard Brittan, international director of the Securities and Investments Board, outlined the board's approach to capital adequacy in an international context:

Branches of foreign securities firms in the UK would not have to be converted into separately capitalised subsidiaries, if the country of the parent company had capital adequacy rules equivalent to those in the UK.

FT CONFERENCE Global Equity Markets

Mr Christopher Reeves, chief executive of Morgan Grenfell, the merchant bank, moved the discussion from regulation to an assessment of competitive strengths of different financial institutions. He said the importance of the Big Bang was not so much that foreign firms would be allowed into the UK stock market but that British firms now had the chance of building an integrated securities business that could compete on international markets.

Some firms were taking a defensive approach to deregulation but he said: "Greater risks will be run by those firms which do not adjust their business to exploiting the new opportunities. You only have to look at Wall Street to realise that those houses who adopted a low-key approach to the 1975 US deregulation have shrunk in relative importance and in many cases have disappeared."

Mr Richard Lauyens, a managing director of Merrill Lynch Europe, the US investment house, said the future global market would be characterised by four major trends:

Concentration of business in a few large international investment banks because of the need for capital; faster flows of information; use of futures and options as institutions sought to manage rather than avoid risk; and the growing importance of the institutional investor as fixed commissions are abolished, despite British Government policies to encourage wide share ownership.

Mr John Hewitt, a director of Scrimgeour Vickers, the stockbroking firm, stressed the importance of brokers' research to global equity markets. Institutional investors would not be able to track the performance of all leading foreign companies.

Scrimeour Vickers was organising its research on an industry rather than a national basis.

Mr Sven Wallgren, president of Esselte, the Swedish office products group, sang the praises of global equity markets from a corporate perspective. The listing of his company's shares on Wall Street had increased vitality and motivation.

Mr William Lupien, chairman of Instinet, the US computer-based financial trading system, said that exchanges and companies like Instinet's were likely to be partners rather than rivals as markets became more international. Instinet is to become the first computerised broker-member of the London Stock Exchange

Mr Philip Thomas, a consultant at the Stanford Research Institute, the California-based consulting firm, painted a picture of how dealing rooms could look in the early 1990's.

"Most input to the systems will be done by voice. All the screens will be flat, thin and use split-screen technology. Traders and analysts will be able to call up graphs, historic data and projected trends by talking to the computer . . . paper securities will be forgotten relics of today's more leisurely age."

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market. Closing prices on October 21

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

James Capel

Going solo after Big Bang

Clive Wolman assesses the singular route followed by the top UK stockbroker

JAMES CAPEL is the City's largest and most profitable stockbroking firm. Its company analysts have been consistently voted the top research team in the UK by investors on both sides of the Atlantic.

But its decision to go it alone by sticking to its traditional formula of agency broking in equities when nearly all its competitors have been building up their market-making arms is looking increasingly risky.

Although James Capel is one of the oldest London stockbroking firms, tracing its origins to 1775, only in the last 10 years has it achieved its dominant position. Its staff has risen from 300 in 1975 to about 1,300 today. Since 1980 it has won almost every vote as the top research house (coming top of the Extel Financial rankings for the seventh successive time on Monday) and as the top agency broker and it has built up a network of overseas offices in New York and the Far East. Earlier this year, the Hong Kong and Shanghai Bank (HKSB) bought 100 per cent control of the firm for about £100m, more than has been paid for any other Stock Exchange member.

James Capel's share of the total UK equity commissions paid to brokers has risen from 2.5 per cent in 1979 to 7 per cent this year. Over the last few months, its share has been even larger, according to chief executive Peter Quinnen.

There is, however, a more worrying interpretation of the recent upsurge of its popularity: that some institutional investors are using the final days of the Stock Exchange's minimum commissions scale and the enforced separation between brokers and market-makers to say thank-you and goodbye.

According to an argument that has been widely accepted in the City since 1983, after October 27 big investors will prefer to deal directly with "dual capacity" companies. A recent ruling of the Department of Customs and Excise, that will exempt brokerage commission from Value Added Tax if the broker puts the deal through his in-house market-maker, adds further to the attractions of "dual capacity" companies.

James Capel, however, will continue in the more limited role making recommendations on what shares to buy and sell.

But why has James Capel decided to enter the new arena with what appears to be one hand tied behind its back, rather than joining forces with a jobbing (market-making) firm as its chief competitors have done?

According to Quinnen: "We felt that if we wanted to go into market-making, we could grow a team organically. People have been paying too much for jobbers without realising that the goodwill they are buying arises only from the jobbers' dealings with counter-parties and not with clients—and all the counter-parties will be changing after Big Bang. We think there are a lot of cases of people marrying in haste and repenting at leisure."

Poach talent

James Capel will consider developing an in-house market-making team in UK equities if its stance as an agency broker is seen not to be popular. The firm demonstrated its ability to poach talented market-makers from other firms when it recruited Akroyd and Smithers' Eurobond team in May.

But Quinnen believes that the firm has identified an important potential clientele in the deregulated Stock Exchange comprising those institutional investors that will be sceptical about the impartiality of the recommendations of a dual-capacity firm.

"Big Bang is making the insitutions more critical of what they are paying for, and making them realise just how many problems of conflicts of interest there will be," he says.

The decision to remain an agency broker, however, was determined less by customer demand than by the reluctance of the firms' shareholders and analysts, who have always placed great emphasis on their individuality, to become a tiny part of a giant financial conglomerate. Immediately after the de-regulation of the Stock Exchange was announced in July 1983, the firm determinedly held onto its independence and spurned a series of offers from London merchant banks and other suitors. But by April 1984, it became clear that additional capital would be required if it was to remain a market-leader across the board and take risks onto its own book.

The option of raising capital through a Stock Exchange flotation was considered. But eventually it was rejected in favour of a takeover by HKSB, a large international bank which could offer the firm access to capital, more overseas opportunities and amost complete autonomy.

The firm's strategy of remaining an independent agency broker in equities has already been tested in the international arena. In April 1984, most of its competitors set up international dealerships to act both as agents and market-makers in overseas stocks. But James Capel decided to act as principal only in such specialist markets as gold mining shares which lack liquidity.

The result has been a mushrooming of its international business. It is now the largest UK broker in international stocks. Following a period of retrenchment in the late 1970s, it has built up a large office in Hong Kong with 110 staff, and smaller offices in New York, Tokyo, Singapore, Sydney and Seoul. With the backing of the HKSB, it has also taken an interest in an Australian firm and is looking for an acquisition in the US. Earlier this year, a poll of US institutional investors conducted by Greenwich Associates placed James Capel as the top broking firm in non-US stocks for its economic analysis, its ideas and its research.

Despite the firm's success as an agency broker, James Fergusson, who is in charge of the international operation, takes a pragmatic view of strategy. "We will respond to what our clients want," he says. "Our UK clients are worried about conflicts of interest at the moment but in the US they don't give a damn. The trouble is that most UK institutions have fewer analysts and have to rely on brokers—so they are more vulnerable."

In fact James Capel's decision to remain an agency broker is probably less of an issue than its ability to hold together its powerful team of research analysts backed up by aggressive salesmen who disseminate their ideas. Over the last three years, nearly all the large brokers and jobbers have suffered mass defections. But, as much through luck as skill, James Capel has beaten off all attempts to lure away its stars, the only major exception being the investment trust analyst Duncan Duckett who left to set up a stockbroking firm for Prudential Bache Securities.

How has the firm been so successful? Firstly, it appreciated at an early stage in the negtiations with HKSB that some form of "golden handcuffs" (loyalty bonuses) would have to be given to a large number of its key staff to induce them to stay. The payments are to be made over five years to 1989 not just to the 62 shareholders in the firm but also to the "marzipan layer" of top analysts and salesmen immediately below them.

Nevertheless, the salaries at James Capel are generally below what its top staff could command elsewhere. The main attraction of working for James Capel is that it is lightly managed and gives great independence to its analysts who, for example, are allowed to send out their individual reports unedited.

"We are a federation, almost a co-operative," says Peter Quinnen. "There is little structure and no bureacracy."

Stability

Ensuring that the analysts and the salesmen are responsive to client demand without exerting tight central controls is a fine balancing act. "The research has to be market-oriented and commercial," says Geering. "It is no good writing long texts saying what a company's profits may be in 10 years' time. Our analysts have to be ready to speak to the clients all the time."

But can James Capel continue to rely on the quality and effective dissemination of its research to fuel its expansion after Big Bang? According to one large pension fund client of the firm: "The danger is that no one will be prepared to pay enough commission to sustain their research department. Commission will only be paid for large trades that are difficult to execute."

One of Capel's responses to the risk has been to diversify. As well as opening overseas offices, it has also been trying to build up a clientele of companies to whom it acts as broker. So far, however, it has been much less successful than many of its competitors. There is also the danger that its analysts will feel constrained in their criticisms of corporate clients. The danger was highlighted when Capel sponsored the setting up and stock market flotation last year of the National Home Loans Corporation. The issue was strongly recommended by its analysts who were embarrassed by the subsequent share price slump.

The other legs of Capel's diversification strategy have been to set up a gilt-edged market primary dealership and develop a clientele of small investors. Last July, it took a stake in a Glasgow stockbroking firm, Parsons and Company, in alliance with PosTel Investment Management, which runs the British Telecom and Post Office pension funds.

However, Quinnen argues strongly against any suggestion that the company should start selling its research services directly to institutional investors for a fee instead of commissions. Some institutions, in particular Prudential Assurance, would prefer a switch to this method. But most fund managers realise that a research fee would have to be paid themselves whereas commissions are paid by their clients, many of whom are not sensitive to the cost. Mainly for this reason, even the pure research houses that have developed in New York generally rely on remuneration through commissions.

But the increasing sophistication of the investment performance measurement services for pension funds has already increased awareness of the true costs of commission among the clients of investment managers. For such clients, the straightforward payment of research fees should have substantial attractions.

Quinnen insists: "Research and execution (of clients' transactions) are part of a seamless garment. The more intermeshed the activities become, the better our service."

Most of his clients, however, appear to be more sceptical. James Capel's execution service is up to scratch and its backroom administration efficient, they say, but no more so than most of its competitors.

James Capel may have to demonstrate greater strategic flexibility if it is to keep or increase its UK equity market share in the post-Big Bang era as the dominance of the largest institutions grows. The traditional, commission-remunerated agency broking service may not be remunerative enough for it to hold together its all-conquering team of analysts.

Hugh Routledge

Peter Quinnen: "There is little structure and no bureaucracy"

Team approach to buy-ins

Terry Dodsworth reports on Octagon

AFTER venture capital and management buy-outs, welcome to the management buy-in. Take an established and under performing company, inject new equity, find fresh management where necessary, turn it round and float it off after five years for a compound return of more than 30 per cent a year. That, in essence, is the thinking that lies behind an innovative investment vehicle which made its appearance in the City last week.

The idea for this systematic application of company doctor prescriptions comes from a group of four professional managers who have all been exposed to the challenges of turbulent corporate reorganisations or to the risks of venture capital investment.

One of them is Robb Wilmot, perhaps the most celebrated turnround specialist in the UK after his role in the revival of ICL, the UK computer group; another is Dr Alex Reid, a former senior executive at British Telecom, who left to form his own venture capital company, and became chief executive of the Acorn computers group during its recent rescue; a third member from the computer industry is Geoff Bristow, also an ICL alumni; and the fourth is Jonathan Thornton, managing director of Close Investment Management, a division of the Close Brothers merchant bank.

The strategy the team has developed for its investment vehicle, Octagon Industries, bristles with radical ideas. First, it is pinning its hopes on the virtually untried thesis that there are plenty of beleaguered UK companies that will welcome a friendly investor, and which have excellent market prospects if only they know how to grasp their opportunities. "Companies go to sleep, typically because in management terms they are not geared to change," says Wilmot.

Second, Octagon will concentrate its fire power on the discrete area of the information industries — computers, telecommunications, electronics, office automation and the like. The three directors with industrial backgrounds all come from these sectors, and they will have strong views about how these industries work.

Third, they are aiming to operate with very low organisational overheads, relying on their ability to bring in outsiders for key surgical operations where necessary. Bristow, who as managing director will own 30 per cent of Octagon Industries, will be the only one of the four working full time for the company. The other three will be available in a consulting, advisory role.

To make this system work will depend on the team's ability to attract managerial talent to take on the company doctor role in target turnround situations. With their experience of UK big business, the three industrialists in Octagon all believe there is plenty of talent at middle and senior managerial levels which is under employed at present.

Fourth, the company intends to use the three-stage recovery process developed by Wilmot for the resurrection of ICL. This involves a first stage of aggressive streamlining to cut costs and pull the company back to breakeven. The second stage calls for a period of up to 18 months in which the company's growth is held deliberately in check while growth margins are pushed back to acceptable levels. Finally the reins are loosened to allow sales to increase and growth to reassert itself.

The most difficult part of this programme is phase two, when the instinct of many managers would be to try and expand. "People have a great willingness to try and grow out of trouble," says Wilmot.

There is no mistaking the enthusiasm of the Octagon Industries directors for their concept of turnround investment, or for the information industry in which they grew up.

But whether they are right in the conviction that the high technology sector is incubating entrepreneurial talent ready to break out if it is given the chance remains to be seen. "In my view, it would be a very good thing for the economy if more of the country's middle and senior managers left large companies and went into smaller ones," says Reid. In order to prove the point, he now has to provide the opportunities to attract this under-used reservoir of ability.

UK COMPANY NEWS

Acquisitions behind 97% rise at Beazer

FAST - EXPANDING C. H. Beazer (Holdings), one of the UK's leading house builders, property developers and contractors, yesterday revealed that its 1985-86 profits had surged by 97 per cent.

The directors said the results reflected a very strong continuing performance by the homes operations and a major first-time contribution from French Kier.

From a £315m advance in turnover to £507.05m the group saw its profits before tax for the year to end-June 1986 rise from £15.81m to £31.12m, the figure forecast last month at the time of the proposed £190m acquisition of Gifford Hill and Company.

Currently, turnover is running ahead of the previous corresponding periods and the directors continue to regard the future with confidence.

They believed that shareholders would "not be disappointed with the results they seek to achieve."

Meanwhile, they are raising the dividend for 1985-86 from an adjusted 4p to 4.67p net per 10p share via a final of 3.137p. Earnings worked through 2.86p ahead at 17.31p.

The contribution from the French Kier contracting activities were included since the acquisition from Trafalgar House in February. All other divisions contributed to the results and the two quoted subsidiaries, BM Group and TOD, also made significant contributions—their results were announced earlier this month.

The major corporate developments during the year were the mergers with French Kier (for £144.4m) and Wallis and Sons. The two companies have now been fully integrated and the directors looked forward to continuing strong contributions from these sources.

The homes activity, now further enlarged by the addition of the Whelmar (Yorkshire) housebuilding business, was currently performing very strongly and the contracting, property and other operations were all trading "most satisfactorily."

The group is buying Gifford Hill & Co, a major construction materials concern based in Dallas, via a £188m two-for-three rights issue which closes on October 31.

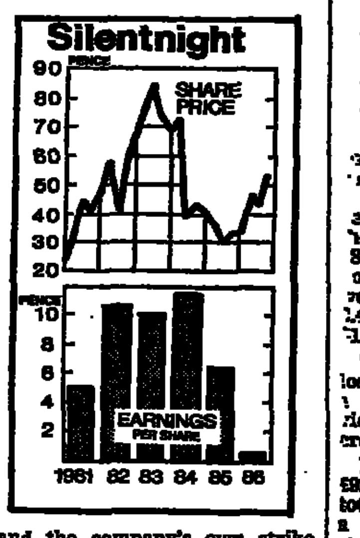
The directors expect this acquisition to provide major opportunities in the US, giving the group a strong base in building materials.

Beazer sold a 29 per cent shareholding in the BM Group earlier this month which realised £14m in cash and a profit of some £9m. It retains a shareholding in the company of 25.8 per cent.

See Lex

Silentnight £1.43m back in profit at six months

Silentnight Holdings, the Lancashire-based and furniture manufacturer, continued its recovery during the first six months and for the period to August 2 swung from losses of £820,000 to profits of £1.43m pre-tax.



The directors said yesterday that the figures were not directly comparable because the 1985 loss was mostly the result of an industrial dispute at Silentnight Beds.

Currently, all group companies were continuing to show improvements and with Silentnight Beds embarking on a major product re-launch, the directors were encouraged by the outlook.

In the absence of "unforecastable difficulties" they were expecting profits of not less than £3.5m for the full year. That compares with a high of £5.24m in 1983-84 and £270,000 last year.

Turnover for the opening half of the current year improved from £32m to £39.62m and at the trading level there was a swing of £2.16m to profits of £1.61m. Interest charges were reduced by £87,000 to £178,000.

Earnings worked through at 2.04p (loss 1.7p) after tax of £515,000 (credit £55,000) and interims are being resumed with a 1p net payment — last year's final was 1p.

● comment

All has not been calm and bright at Silentnight for a couple of years with the miners' strike hitting demand in 1984 and the company's own strike restricting output last year. Although the sacked workers do not regard the strike as over, Silentnight's management seems to be past the worst. With a £1m plus promotion campaign due to boost sales of the portentously-named Sleepright Ultimate range, Silentnight should be able to recapture the market share it held before the industrial action. That should mean 18 months of profits growth while the company climbs back to the £5m it made in 1983-84. Prospects for growth thereafter in a rather mature market are less certain. On the company's own forecast of £3.5m, the shares at 57½p, are on a prospective p/e of 11.5,

Collins sells Pan stake to Octopus and Macmillan

By Alice Rawsthorn

William Collins, the book publisher, has sold its one-third holding in Pan, the paperback publisher, to the two existing shareholders, Octopus Publishing and Macmillan, the privately-owned publisher, for £10.

For Collins, the disposal offers an opportunity to withdraw from an investment which its group managing director, Mr George Craig, called "a partial anomaly in our holdings" and to concentrate activities on its two wholly-owned paperback publishers, Grafton and Fontana.

The proceeds of the disposal will provide capital for expansion through acquisition, possibly by diversification into US book publishing.

Pan is predominantly a mass-market paperback publisher. The company claims a 19 per cent share of the paperback market in the UK, where it follows Penguin as the second largest contender.

Pan's best-ever selling book is Peter Benchley's Jaws, which sold 2.5m copies predominantly in the 1970s. Its best-selling contemporary authors are Jackie Collins and Wilbur Smith. In 1985 the company produced pre-tax profits of £2.4m on sales of £25.9m.

Once the change in ownership is completed, Collins, which was advised by J. Henry Schroder Wagg, will continue to distribute Pan's books in Australia, New Zealand and Canada. Its established joint ventures with Pan will also continue.

Write offs hit Firstland Oil

Firstland Oil and Gas, the UK based oil and gas investment company, announced yesterday sharply increased loss for the year ended June 30, 1986, and the acquisition of interests in 8 oil and gas wells in Oklahoma. The oil and gas interests were purchased from M.R.I. for 1.46m new shares valued at £1.8m (£934,000).

The company made a trading loss of £129,384, compared with a deficit of £97,129 in the previous 13 months, despite increased sales of £214,348.

Losses were increased to £925,728 by exceptional items totalling £796,344, made up of a £721,939 provision for the steep decline in the value of the company's oil and gas reserves and £74,405 written off in respect of interests in the Falkland Islands. The loss per share expanded to 15.24p against 2p on increased capital.

The directors anticipated Firstland will trade profitably in the current year thanks to contributions from Greenleaf acquired in May, and the M.R.I. wells.

CHRISTY HUNT pre-tax profits increased slightly to £121,000 (£119,000) for the June 30 1986 year on turnover of £5m (£4m). After tax of £101,000 (£1,000) earnings per share were 0.5p (4.3p).

Nikki Tait on Ward White's contested £145m bid for LCP

Going for the jewel in the crown

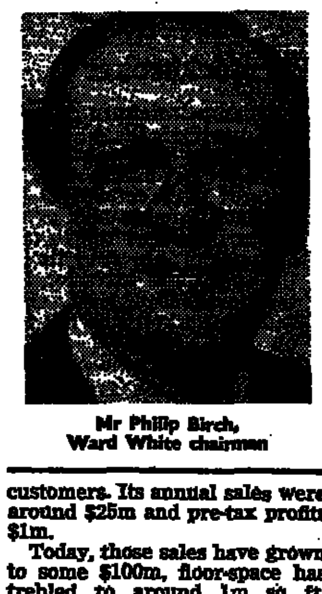
"WELL, there's one thing to be said for this deal," mused a seasoned Ward White watcher yesterday. "It makes a lot more sense than Wedgwood."

Two weeks ago—and but for the intervention of the Irish company, Waterford Glass, in the Wedgwood-LRC bid battle Mr Philip Birch, Ward White chairman, might well have considered selling china plates alongside DIY goods, toys and shoes in his fast-growing £280m retail empire.

Instead, yesterday's £148m offer for LCP Holdings takes him straight to a business which Ward White already knows through its Halford's subsidiary—car servicing.

The jewel in LCP's crown—and certainly the one which Mr Birch is after—is its wholly-owned US subsidiary Whitlock. It is seven years now since Midlands-based LCP pulled out of DIY — selling its home improvement stores to W. H. Smith for £12m—and upped its automotive business instead. Within months of the Smith deal, it purchased its initial 20 per cent stake in Whitlock for around £2m.

Then, Whitlock consisted of 47 automotive stores in five Mid-Western states, and sold car repair parts, supplies and accessories mainly to DIY customers. Its annual sales were around $25m and pre-tax profits $1m.



Mr Philip Birch, Ward White chairman

WARD WHITE: MAJOR ACQUISITIONS

Purchase	Business	Cost (£m)
1986		
Payless DIY	DIY retailer	94
1985		
Owen Owen	Department stores	53
Maynards	Toy retailer and confectioner	19
1984		
Halfords	Car accessories	52
Weiner	US shoes/clothing retailer	*8.7
1983		
W & E Turner	Footwear retailer	6.6
1982		
Joseph Frisby	Footwear retailer	6.9
Hofheimer's	US footwear retailer	13.6

* 44.7 per cent stake

Today, those sales have grown to some $100m, floor-space has trebled to around 1m sq ft, and the outlets — totalling 86 — can be found in 10 states, though still concentrated in the mid-West and North-East. Profits last year, according to the current management, were checked by the purchase of the loss-making Motor Mart business — which added 12 sites and has now been turned round. Even so, they chipped in around $10m before tax. Compound annual growth, says LCP, has been running at around 25 per cent.

Certainly, the margins which Whitlock earns — about 40-50 per cent gross and around 10 per cent net — would be welcomed by Halfords. Moreover — although Whitlock is ranked only 12th in terms of US automotive part retailers, there is no national competitor — the largest company being the quoted Pep Boys, which stands on a p/e of 30, and whose 170-plus stores are concentrated in the middle Atlantic area and in southern California.

For Ward White, the appeal of Whitlock is that it combines a business it knows, and where it thinks there is scope for improvement, with one which gives it scope for Stateside expansion.

Halfords itself has only been in the Ward White stable for two years — it was bought from Burmah Oil for £52m in November 1984 — but it has rapidly become the star performer, chipping in perhaps a third of last year's non-property profits. If Ward White makes around £40m before tax in the year to end-March 1987 analysts believe the subsidiary could account for a similar proportion.

Part of its success, says Mr Birch, is due to the introduction of electronic-point of sale control, which has allowed annual stock turnover to reach five times on the larger edge-of-town superstores. Similar controls, he argues, could work wonders for Whitlock, where annual stock turnover is reckoned to be under three.

Managementwise, Ward White seems happy enough with Whitlock's current team, though claims to have spare Halfords people who could take up any slack reins. In terms of product sold and name, the two businesses would remain quite separate, though common sourcing could result.

Whitlock is by no means all of LCP, however. For his £148m, Mr Birch is also offering to take on board a £50m property portfolio, a Midlands-based fuel distribution business and some builders' merchanting interests. The French distribution company is about to be sold to management — pending the approval of the French Treasury. Together with Whitlock, they contributed pre-tax profits of £9.1m in the year to end-March.

Yesterday, Mr Birch made clear that these businesses would be unlikely to last long within in Ward White. "Analysts tell me I might raise £50m to £60m from them," he commented yesterday. Portfolios of industrial property in the Midlands are unlikely to encounter a rush of buyers, but even at the lower figure that suggests that Whitlock is being bought for around £100m, on a historic p/e of perhaps 20.

"It's a very full price," declared the Ward White chairman yesterday. But the LCP board—which stoutly rejects the bid—may find a few arguments on its side, too.

WPP acquires US foothold

BY CHARLES BATCHELOR

WPP Group, the fast-growing marketing group, is buying Pace Communications, a US company which provides marketing services to the property industry, for up to $34m (£17m).

This deal is potentially the largest in the 17 months since WPP was revitalised by Mr Martin Sorrell, former finance director of Saatchi & Saatchi, and Mr Preston Rabl, a stockbroker. It takes WPP into the US for the first time.

Pace provides design, copywriting, media buying, graphics and production services to the commercial and residential property sectors. Its activities are concentrated in the north-eastern US though it is also active in the south-east.

Pre-tax profits of Pace have risen from $114,000 in 1981 to $2.32m last year on turnover up from $10.5m to $31.8m.

WPP will make an initial payment of $7m, comprising $6m cash and $1m of WPP shares, with further payments of up to $3.6m a year to be made in the four years up to 1991.

Up to $9m worth of the payment to be made this year will be financed by a vendor placing of 1.07m WPP shares at 505½p each by Panmure Gordon, stockbrokers.

WPP has also set up a new US holding company called Rasor Communications Inc to co-ordinate its US activities.

The British group sees opportunities in the US property marketing industry, which is large but fragmented.

The Pace purchase complements the acquisition by WPP last August of Sampson Tyrrell, a private UK marketing and design company, which also works for the property industry.

Acatos buys Bamford assets

Acatos & Hutcheson, the edible oils producer which was floated on the main market in July, has bought the plant and machinery of Bamford Brothers, the lard manufacturing company, for an undisclosed sum. Bamford is a subsidiary of the private food group, Ridpath Brothers.

The white fat operations of Bamford will be rationalised with those of Acatos subsidiary, Pura Foods, and Mr David Wicks, Bamford's managing director, will join the Pura board. Buying and selling operations will continue under the Bamford name.

Acatos attributed the move to the continuing decline in volume in the white fat market and the importance of maintaining low production costs in the face of Continental competition.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Ambrose Inv		3.55	—	3.36	—	9.75
C. H. Beazer		†3.14	Jan 2	2.67*	4.67	4*
Border TV		§1.5	—	nil	2.5	nil
Bray Technology	int	1.1	Oct 31	1	—	—
Brit Amer Film	int	1.9	Nov 18	1.7	—	5.2
Derwent Valley	int	0.75	—	0.75	—	3.25
London & Prov		2.6	Jan 6	2.6	4.7	4.6
Prestwick		nil	—	0.7	0.5	0.7
Silentnight	int	1	Jan 2	nil	—	1
Underwoods	int	1	—	—	—	—

Dividends shown in pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

Wooltons Betterware heavily undersubscribed

BY ALICE RAWSTHORN

THE flotation of Wooltons Betterware, the Midlands-based soft furnishings retailer and manufacturer, closed yesterday heavily undersubscribed having attracted applications for just 16 per cent fo the shares in issue.

Wooltons came to the Unlisted Securities Market 10 days ago in an offer for sale through the stockbrokers, Greene. In the offer Wooltons released 2m shares, or 20 per cent of its equity, at 104p a share, thereby valuing its business at £10.4m.

When the offer closed yesterday Wooltons had received applications for 307,700 shares from ordinary applicants and for 10,700 shares from preferential applicants, producing a total of 318,400. The sub-underwriters of the issue will thus be left to pick up 84 per cent of the shares. This makes Wooltons the least successful flotation the USM has seen since that of the US cookie company, Mrs Fields, in May.

Although Wooltons had a relatively solid business record the issue was felt to be expensive by many observers in the City.

The company came to the USM with a profits forecast of £1m for the current financial year producing a prospective p/e of 16. This multiple may not be expensive by comparison with the specialist retailers with which Wooltons intended to be compared, but it was deemed to be too high for a retailer specialising in the uninspiring area of soft furnishings.

Similarly it is unusual, and arguably risky, for a company as small as Wooltons to go public through an offer for sale rather than a placing.

London & Provincial Shop lower

As indicated at the interim stage, pre-tax profits at London & Provincial Shop Centres (Holdings) are down from £2.16m to £931,000, but are forecast to recover to not less than £1.8m for the year to June 24 1987.

The final dividend is unchanged at 2.6p net for an increased total of 4.7p (4.6p), but stated earnings per 10p share are down from 4.38p to 3.41p. Net asset value per share increased, however, from 342p to 351p.

Investment properties have been revalued by an independent firm of valuers, Healey & Baker, at £86.5m (£84.8m) on June 24 1986. The directors said gross rental income during the year rose to £4.94m (£4.17m).

Investment properties were fully let, including Edinburgh House, Slough, which is let at an annual income of £466,000.

Out of total borrowings of £27m (£26.4m), £15m is represented by the 10 per cent mortgage debenture stock 2026 issued in April 1986, £9m is repayable after five years, and £3m is repayable within five years.

COMPANY NEWS IN BRIEF

BRITISH AND AMERICAN FILM HOLDINGS: Interim dividend 1.9p (1.7p). Earnings per share 6.1p (5.431p). Earnings per share of holding company and subsidiary companies not consolidated totalled 7.534p (5.986p). Pre-tax profits £247,000 (£225,000). Subsidiary companies earned £54,000 (£16,000). Tax £90,000 (£73,000). During the six months the value of the company's investments increased 18 per cent to £12.48m. Net asset value, at October 10, excluding film rights, was 429.5p a share. Directors expect to maintain the rate of the dividend increase for the full year.

MOORGATE GROUP, the advertising and marketing company, has placed the 25 per cent of its equity owned by its former managing director, Mr John Sayers. Directors took up about 274,000 of the shares and the remaining 1.3m were yesterday placed with institutions. Mr Sayers, whose resignation for personal reasons was announced last week, is to be a consultant to the group for the next 14 months. He has agreed not to compete with any Moorgate activities during that period.

DERWENT VALLEY Holdings, property investment concern, raised turnover to £320,261 (£86,860) and profits to £104,777 (£37,030) in first six months of 1986. Tax of £36,000 (£11,000) left earnings at 2.08p (1.63p). Interim dividend 0.75p net (same).

BEN BAILEY Construction attributable loss rose from £39,000 to £153,000 for the year ended June 30 1986 from turnover of £6.9m (£5.95m). Losses per share were given as 2.93p (0.77p), while the dividend is 0.25p (same).

UK COMPANY NEWS

Low & Bonar rights issue funds £40m acquisitions

BY CHARLES BATCHELOR

Low & Bonar, the Scottish packaging, plastics, textiles and electronics group, is acquiring three electronics companies—two in Britain, one in the US—for a total of £40.7m.

These deals will be largely financed by a two-for-seven rights issue at 225p per share to raise £37.7m. This is Low's second rights issue in the past six months and follows a one-for-four issue in April which raised £22.6m.

In its largest purchase to date Low is making a $43.8m (£31m) agreed bid for Powertec, a manufacturer of electronic power supply equipment based in Chatsworth, California. The bid already has the backing of the owners of 45.5 per cent of the stock.

This deal takes Low into the US in a big way for the first time and rounds off the company's recent acquisition programme aimed at establishing its four main business areas.

Mr Roland Jarvis, managing director, said: "We have the building blocks in place. Our immediate priority is to get the earnings potential coming through next year."

Powertec makes power supply equipment for the computer, communications and control systems markets. It made an unaudited pre-tax profit of $2.5m on sales of $19.7m in the year ended August 1986 and had net assets of $18.2m at that year end.

Roland Jarvis.

Low is offering $15.90 a share for Powertec, which is listed on the Nasdaq market in the US. Behind the sale lies the fact that Mr Joseph Walker, the chairman and owner of 20 per cent of the shares, is approaching retirement, while changes in US tax laws will increase capital gains tax rates from the end of this year.

Low is also buying two small British electronics groups — Advance Power Supplies (APS) and Advance Bryans Instruments (ABI).

It will pay an initial £8m for APS, a Bishops Stortford-based company with 1985 pre-tax profits of £1m on sales of £13.1m. Net assets were £2.9m.

APS makes switched power-supply equipment for telecommunications, computer, industrial and military use.

Low will also pay £1.6m for ABI, an associate company of APS. In the five months ended August 1986, ABI made an unaudited pre-tax profit of £115,000 on sales of £1.3m. Net assets were £615,000. The reason for this sale is the recent death of APS' founder shareholder.

Further performance-related payments may be made for both the UK companies, which could take the price paid to £10.6m for APS and £4.8m for ABI.

Low's shares closed at 248p, down 17p.

BT may go for Continental listing

By David Thomas

British Telecom is considering a listing on a Continental stock exchange, in the wake of what it considers to be its successful listing on the Tokyo exchange in May.

Mr Chris Ball, BT treasurer, said yesterday that nearly 30,000 Japanese investors were holding shares through the Tokyo exchange, which was more than twice the number of any other foreign company listed in Tokyo.

The number of Japanese investors in BT had been rising recently, according to Mr Ball.

Mr Ball said this was for three reasons: the interest in BT generated by the listing; the increased awareness of telecommunications stocks generally in Tokyo due to the privatisation of Nippon Telegraph and Telephone; and the belief that BT share prices were depressed because of fears about the Labour Party's policies on renationalisation.

"The Japanese are prepared to take a risk on British politics," Mr Ball said.

Mr Ball and Sir George Jefferson, BT chairman, have recently returned from the first shareholders' briefing meeting held in Japan since BT's privatisation.

Mr Ball said that 180 people had attended and the questioning had centred on political prospects in the UK, competition in UK telecommunications, Mitel, BT's Canadian equipment manufacturer, and BT's international expansion plans.

Blenheim Exhibitions joins USM

By Alice Rawsthorn

Blenheim Exhibitions, an exhibition organiser, is joining the Unlisted Securities Market in a placing of shares which will value its business at £5.8m.

The company was formed in 1979, initially to run a series of exhibitions for the fashion industry.

Blenheim's first project was the launch of the Midseason exhibition, which was modelled on the Intersaison exhibition in Paris and reflected the growing trend in fashion retailing towards more flexible buying patterns.

From Midseason, Blenheim has diversified into other areas of the fashion industry, theme into gifts, chilled foods, corporate design and latterly into training.

In the past five years, Blenheim has mustered increases in turnover and pre-tax profits each year. Profits have risen from just £1,600 in the 1981-82 financial year to £502,600 in the year to August 30 1986. Turnover has grown from £519,000 to £2.6m in the same period.

"For the future we expect to grow organically and by diversifying into other areas of the exhibition industry both in the UK and in Europe," said Mr Neville Buch, Blenheim's chairman.

"After the flotation, we will have more flexibility to grow by acquisition and intend to use our resources to do so."

Blenheim will raise just over £1m from the flotation, £860,000 of which will be ploughed back into the company. In the placing the company will release 1.25m shares or 20.5 per cent of its equity at 95p a share. Alexanders Laing & Cruickshank will act as brokers and Lloyds Merchant Bank is the sponsor to the issue.

Border TV in the black

Border Television swung back into the black in the year to April 30 1986 with pre-tax profits of £704,000 compared with losses of £252,000 in the previous year. Also proposed were rights and scrip issues.

Turnover of this unquoted television programme contractor rose from £7.83m to £8.86m, and other operating income was little changed at £322,000 against £331,000.

The directors said yesterday that preparations were at an advanced stage for an application to be made to the Stock Exchange for permission to deal on the Unlisted Securities Market. It was anticipated that, subject to shareholders' approval, the application would be submitted in December.

It was proposed to have a one-for-three scrip, and it hoped to raise £565,000 net by way of a rights issue of 5.06m ordinary shares at a price of 12p each.

A final dividend of 1.5p net makes a total of 2.5p. Stated earnings per 10p share were 8.03p (2.65p losses).

Runciman ahead midway

Both the shipping and insurance divisions of Walter Runciman performed well during the first half of 1986 and with the security sector returning to profits, group pre-tax figure for the period expanded from £650,000 to £919,000.

And the directors expected the second half contribution to be significantly higher than the first — last year's full pre-tax result had recovered from £468,000 to £1.41m.

Turnover was down from £27m to £22.74m for the six months but lower cost of sales, £15.39m compared with £19.15m, left gross profits only slightly down from £7.85m to £7.35m. Pre-tax figure was after lower distribution and administration expenses and interest payable, and was despite exceptional costs of £37,000, against a £239,000 credit previously.

After a tax charge of £333,000 against £268,000, earnings were given at 6.7p (4.4p) per share while the interim dividend is maintained at 2.5p—last year's total was again 5p.

There was an extraordinary credit of £138,000 for the period, being the profit from the sale of Tamm Sweden AB in June.

Densitron disappointing

Densitron International, the Kent-based electronics group floated on the Stock Exchange in June this year, experienced a disappointing half-year to June 30 and reported interim pre-tax profits of £229,000, on turnover of £7.18m. The tax charge was £87,000, and earnings per share 1.13p.

The directors said no interim dividend would be paid, barring unforeseen circumstances, but expect to be able to recommend a final dividend of 1p, as forecast in the prospectus to the flotation.

However, the directors said action had been taken to deal with the situation and that order books now, and margins on which those orders were booked, enabled the company to view the future with confidence.

The company was adversely affected by the impact of the Yen's appreciation against the US dollar, which reduced margins in the US, and insufficient pre-flotation bank facilities which did not permit the directors to hedge fully the company's currency exposure.

Investor fails in bid to join J Jarvis board

By Philip Coggan

Mr Harvey Bard, a London-based property investor, has failed in his attempt to join the board of J. Jarvis & Sons, the building group, in which his investor group has a 27 per cent stake.

At Jarvis' annual general meeting, shareholders defeated a proposal that Mr Bard and his associate, Mr Rees, should be elected to the board.

Jarvis was reshaped last year when institutions intervened following a £706,000 full-year pre-tax loss. Outside directors, including Mr David Beety, a senior partner at solicitors Knapp Fishers, and Mr Jack Rouillier, ex-John Laing, were brought in and Jarvis announced a return to profits and the dividend list in August.

Part of the strategy for improving Jarvis' fortunes is the disposal of peripheral activities, particularly relating to property development.

At the AGM, the chairman announced the letting of a Balham development, the sale of some freehold properties, and the disposal of the group's geochemical company. It was also revealed that contracts are running at a level 32 per cent higher than last year.

Prestwick breaks even in second half

Prestwick Holdings, Ayr-based manufacturer of printed circuit boards, broke even in the second half but still finished the year to July 31 1986 £2.28m in the red, compared with profits of £1.83m previously.

The directors said that this was larger than anticipated in their interim statement last May, primarily because of the mix of orders received since then, resulting in an abnormally high material content.

They added that the second half also bore certain costs arising from the formal commissioning of new facilities at Irvine which generated no immediate revenues.

In May, the directors reported losses of £2.22m, against profits of £610,000, and blamed the severity of the recession in the printed circuit board market for the company's worst-ever first quarter figures.

Turnover for the 12 months was down from £18.85m to £14.84m, and while market demand picked up in the second half of the year, the directors stated that the market place worldwide remained fragile, with orders being very short-term. However, from the US the group was already obtaining significant business, they added.

After tax of £865,000, compared with £529,000, losses per 5p share were shown as 7.1p against earnings of 8p, while the interim dividend of 0.5p is the total for the year (0.7p).

The directors explained that selective assistance grants of £0.65m, reported in the interim results as extraordinary items, related to the costs borne in the second half and accordingly have been set off against in arriving at the pre-tax loss.

No grants were received in the latter half of the year, but payments were claimable this year and next relating to the training and employment associated with the introduction of the new production facilities, the directors said.

● comment

By taking £650,000 in selective assistance grants into pre-tax profits, Prestwick has managed to make its second half look closer to breakeven than the trading position would suggest. The market found it hard to credit such a sharp swing into the red, almost £5m, so soon after the company joined the market priced at 100p a share in a well supported offer for sale—and promptly marked the tightly-held shares down 9p to 40p. The struggle to get costs down and margins up still has a long way to go, in fact it didn't even get a mention in the accompanying statement, and the fate of the first half of this year still hangs in the balance. Sales are now, however, back up to an annualised £18-£20m level, cash flow is being managed reasonably well, and adding back in the £1m commissioning costs for Irvine suggests that a bit better than breakeven should be possible this year. The City is looking for £½m which puts the shares on a prospective p/e of 16.

Sovereign Oil loan payments

Sovereign Oil said yesterday that it had not suspended payments to Marathon on the loan that had enabled it to buy a 4 per cent stake in the Brae field in 1977. The loan, of which £68.6m was outstanding at May 30, is one of a limited recourse with repayments of the capital plus interest fixed at 9 per cent) restricted to 60 per cent of the net cash flow from Sovereign's stake in Brae. The company says that low oil prices have so deferred payouts that it considers it appropriate to: remove the notional liability of the limited recourse loan from its balance sheet, to treat the stake in Brae as one of 1.6 per cent for profit and loss account purposes and to make an similar adjustment to fixed assets. Mr David Biggins, Sovereign's managing director, said that he doubted whether the loan, which has no specified term, would ever be repaid in full.

English China Clays in £1.75m US acquisition

English China Clays has bought Sylacauga Calcium Products from Moretti-Harrah Marble, of Alabama in the US, for about $25m (£17.5m).

Sylacauga supplies calcium carbonates to the US paints and polymer industries and has an annual turnover of about $12m. Its assets have a book value of $15m but the company plans a revaluation as Alabama accounting practice means reserves of about 50 years of carbonates are put at nil.

English China made overall sales of about £750m in the year to the end of September. Of these, £80m were generated in the US.

The company said yesterday that the Sylacauga acquisition, its first in the US since 1979, would augment and complement the company's kaolin clay plants in Georgia, its bentonite, talc and ball clay plants in Texas, and its 50 per cent interest in a calcium carbonate plant in Maryland.

English China will finance the deal, the precise value of which will depend on liabilities on the completion balance sheet, through the issue of 7.625 per cent cumulative redeemable preference stock.

WETTERN BROTHERS, the construction materials company, turned in pre-tax profits up from £28,400 to £65,900 in the six months to June 30, 1986. Turnover was static at £1.1m. The company also benefited to the tune of £50,000 from the favourable resolution of a law suit. The directors said they would reserve a similar amount against possible legal costs and other contingencies. The directors said they hoped for an increase in the full-year dividend from 1.15p last time.

Hughes Food to meet forecast

Pre-tax profits at Hughes Food Group for the six months to August 31 1986 — the company was admitted to the Unlisted Securities Market in July — were £502,000, and Mr John Hughes, the chairman, said yesterday that the forecast for year-end profits of not less than £900,000 would be comfortably achieved.

A dividend of 0.5p net for the year to end-February 1987 is proposed.

Mr Hughes said the excellent half-year results did not reflect the full benefits that would accrue from recent investments in new ventures.

On July 14, the company acquired the whole of the issued share capital of Hughes Holdings Limited for a consideration of £7m, satisfied by an issue of 35m shares of 5p each.

First-half tax took £176,000, leaving retained profits of £326,000. Stated earnings per share were 0.77p.

UK COMPANY NEWS

David Goodhart on the closing stages of Norton's seven month battle for control of McCorquodale

Outcome of printers' feud may depend on Maxwell

AFTER SEVEN months of the increasingly bitter takeover feud between printing groups Norton Opax and McCorquodale it must be rather galling for both sides to realise that today's outcome is probably dependent upon the whims of the ubiquitous Mr Robert Maxwell.

If, as expected, it is a close battle then Mr Maxwell's 10.5 per cent stake in McCorquodale will be decisive.

All the arguments and counter-arguments aired during the first bid by Norton in March, repeated to the Monopolies and Mergers Commission and again when the bid was relaunched last month will count for naught beside what Mr Maxwell perceives as his self-interest.

The Norton camp are quietly confident that he will be swaying their way, although for a reason they don't like to publicise: if they win they will be selling off parts of McCorquodale and Mr Maxwell ought to be able to claim a special seat at the auction.

Norton has certainly fought a powerful campaign with the indispensable aid of an impressive record—its estimated margins for the coming year are, for example, 11 per cent. The growth has been fast and in recent years at least one-third organic.

Mr Richard Hanwell, the chief executive, and his team based in Harrogate, exude entrepreneurial briskness. Mr Hanwell loves to tell the self-serving story of how it allegedly took McCorquodale four board meetings to decide whether to bid for a Dublin printer; when they decided not to, the printer contacted Norton which made up its mind to buy in two days.

The record of integrating its biggest takeover to date, Joseph Causton, has also been good and all the existing management stayed on.

Most of McCorquodale's counter-attack has bounced off Mr Hanwell's leathery flank. It is true Norton is highly geared, but not unbearably so: it may be a little overdependent on Third World lottery earnings, but all the more reason for a good UK-based acquisition with First World foreign earnings; a possible exit of worried customers following a merger of the two groups has also been exaggerated.

Nevertheless the Norton profit growth may be slowing down (even allowing for the recent sale of several profitable businesses), and, more important, the Norton offer is widely regarded by analysts as on the cheap side. Mr Hanwell may have made a tactical blunder in declaring his renewed bid offer as final.

That, however, may be offset by an even bigger tactical blunder from McCorquodale — it started, but failed to conclude, negotiations under which Extel, the information services group, would have emerged as a "white knight" counter-bidder.

However, Mr Maxwell holds a 26 per cent stake in Extel — though he cannot launch a bid for it until next year—and he began buying McCorquodale shares as soon as Extel's involvement became known. This was almost certainly to block the Extel merger.

Yet McCorquodale, having been happy to embrace Extel, must now find it hard to argue that it would have been so superior a partner to Norton Opax.

Aside from that Achilles Heel, McCorquodale has in the past two weeks hit back with a sound rearguard action which could still be enough to save it.

Mr John Holloran, the chief executive, has effectively filled in the detail of McCorquodale's much-discussed "refocusing" on financial printing, book and magazine production and database publishing and its reduced dependence on Brazil and South Africa.

The cost of this refocusing has been higher than expected at £70m over the past three years (£45m on re-equipping and £25m on acquisitions) and has contributed to flat profits and earnings per share.

But it can now reasonably claim that the profit line on the graph has an upward sweep in front of it and, as Mr Holloran puts it, "why should Norton Opax step in and claim all the credit?"

Some effects of rationalisation are already coming to McCorquodale's aid. The result of slimming its workforce by about 1,000, combined with the bull market, has allowed it to reduce its pension fund costs by £2.5m each year for — astonishingly — the next 10 years.

In addition, the McCorquodale management style has undergone a shake-up over the past few years under Mr Holloran's direction.

It may not be as decentralised and incentivised as the Norton Opax management, but it is not far behind.

If McCorquodale escapes it could again show that the threat of takeover is a more effective way to improve company performance than a takeover itself.

As one analyst indelicately puts it: "The McCorquodale management has a lot of teeth marks in its collective back-side from Mr Hanwell."

So, Mr Maxwell allowing, a combination of investor lethargy and loyalty towards McCorquodale, and scepticism about Norton Opax, could save McCorquodale.

Last night as Mr Holloran personally argued his case with Mr Maxwell the betting was still marginally against them, however, and if it is close Norton has the freedom to extend its offer for a further period in the hope of clinching victory.

Battling chief executives: Mr Richard Hanwell (right) of Norton Opax and Mr John Holloran of McCorquodale

Underwoods profits jump 55% in first results since listing

Underwoods, the retail chemist, reported pre-tax profits up by 55 per cent in its first interim results since achieving a full listing in November 1985.

On turnover up from £16.7m to £20.6m, the company showed pre-tax profits of £1m (£650,000) for the half year to July 31 1986.

After tax of £272,000 (£201,000) at 27 per cent (31 per cent), earnings per share rose from 1.8p to 2.7p.

Mr Harold Woolf, chairman, said there had been an improvement in trading since August which he anticipated continuing, assisted by the fall in the value of sterling.

He said that when this improvement was coupled with the expansion plans the directors were confident about the company's continued growth and its development into a national chain.

Underwoods is trying to trade increasingly outside London. In the six months reported it opened new stores at Bromley and Stevenage and since July 31 it has opened stores in Guildford, Southend and High Wycombe. Three more stores will open in central London but the company has also closed its Tottenham Court Road outlet.

Mr Woolf anticipated that by the end of the year Underwoods' net sales area would increase from 117,000 sq ft to 159,000 sq ft, a rise of 36 per cent, of which 28 per cent (44,000 sq ft) would be outside central London.

He said that of the 10 stores to be opened this year eight arise in the second half and would not therefore be expected to contribute before 1987. With £750,000 spent on the refurbishing of 17 outlets, Mr Woolf suggested that capital expenditure would have a significant impact on group results in 1987.

Mr Woolf also anticipated an increase in the number of own-label goods being sold by the company from 3 per cent of sales to 6 per cent.

The interim dividend is 1p.

● comment

The verdict must so far be on whether Underwood's prescription for growth—adding provincial stores to its existing London base—is not proven. The sluggish increase in trading profits indicates the effect on margins of the store openings programme. With five out-of-town stores due to open in the second half, a margin bounce-back is likely to be delayed. However, those stores which opened in last year's second half should start to contribute fully. Of the 23 per cent sales growth in these figures, only 4 per cent came from stores open for more than 18 months. That reflects the effects of the bad weather on impulse buying and the cutback in tourists from oil-rich countries, who have in the past been important consumers of higher margin goods like watches and perfumes. For the full year, profits of £3.3m would put the shares at 174p on a prospective p/e of 20. The growth prospects are already in the price.

APPOINTMENTS

Midland Bank reduces regions

MIDLAND BANK has made a number of senior executive appointments in its retail and corporate banking sectors. Some, at regional director level, reflect the decision to reduce the number of regions in England and Wales from 16 to 12. From November 1, Mr J. Christopher Wathen, operations director, group management services, becomes card products director. From January 1, Mr Robert L. Wyatt, a general manager in the international banking sector, becomes chairman and chief executive of Midland's asset finance subsidiary, Forward Trust Group. He succeeds Mr Peter J. Nicholson who is to retire.

The following appointmens also become effective on January 1: Mr R. E. (Ray) Challinor, regional director, London South, has been appointed regional director, City and West End retail management centre. Mr Peter S. Grainger, regional director, central southern, is to succeed Mr Challinor as regional director, London South. Mr David J. Mills, regional director, south east, will assume responsibility for the enlarged south east retail management centre. Mr David W. Baker, manager, New Street, Birmingham branch, has been appointed regional director, East Midlands retail management centre, in succession to Mr Alan J. Eastwood, who is to retire. Mr John D. Massey, area manager, Cheltenham, has been appointed regional director, London north retail management centre, in succession to Mr W. H. K. (Bill) Matthews, who is to retire. Mr K. W. (Ken) Rigby, a corporate finance director, has been appointed regional director, north east retail management centre, in succession to Mr J. Barry Smith, who is to retire. Mr E. D. (Don) McKay, regional director, Sheffield, is to retire. Mr Charles O'Brien, regional director, West Midlands, will assume responsibility for the enlarged West Midland retail management centre which will be based in Birmingham.

Following the bank's decision to distinguish clearly between the two main segments of the corporate banking market (global corporate accounts and commercial accounts), the following appointments, which become effective on January 1, have been made in commercial banking: Mr John B. Willett, regional director, London west, becomes regional director, commercial banking, Greater London. Mr Neil G. Blair, regional director, City and London east, becomes chief lending officer, commercial banking. Mr Blair will also assume responsibility for the bank's lending services department which provides specialist services to those corporate customers experiencing difficulties. Mr John W. Burton, regional director, Birmingham, will have responsibility for implementing the bank's plan to develop its business within the commercial banking segment.

★

DWYER AND COMPANY has appointed Mr Martin Silverman to the board as group finance director. He is a partner with Morris Stoneham and Company.

★

Mr John Upton joins the board of BRUYNZEEL STORAGE SYSTEMS. He was sales manager.

★

Mr Anthony Lang, company secretary of STAKIS, has been appointed to the board.

★

J. R. PARKINSON AND CO has appointed three new directors to its subsidiaries: product group manager Mr Nigel Hall to be a director of DUBONNET (1966), and field sales manager Mr Barry Laurence and Ricard co-ordination manager Mr Peter Woollcombe to be directors of RICARD (1978).

★

Mr John Sacks, deputy chairman of the ARENSON GROUP, has been appointed to the additional role of chief executive. Mr Archy Arenson remains executive chairman.

★

HENRY ANSBACHER HOLDINGS has appointed Mr Pierre Scohier to the board. He is president and chief executive of COBEPA, a director and member of the executive committee of Pargesa, and a director of Groupe Bruxelles Lambert. Pargesa and Groupe Bruxelles Lambert collectively own 50.64 per cent of Ansbacher.

★

CASSIDY, DAVIS has appointed Mr John van den Bosch, Mr Nigel Burton, Mrs Mary Coford, Mr Edward Creasy, Mr Barry Easton, Mrs Clare Dixon, Miss Merna Galliford, Mr Brian Jackson, Miss Lesley Kenyon, Mrs Susan Newman and Mr Timothy Stebbs as assistant directors.

★

Dr A. A. Denton, and Mrs S. K. Morgan have been appointed chairman and chief executive respectively of NOBLE DENTON & ASSOCIATES.

★

LAWSON MARDON GROUP has appointed Mr Lauren Madden as senior vice-president, Graphics North America, following the resignation of Mr Dave Hardie. Mr Jim Dewhirst has been appointed deputy division manager, Graphics North America, and becomes president of Lawson Graphics Toronto.

★

Miss Gill Carrick has been appointed to the board of GODDARD KAY ROGERS AND ASSOCIATES. She is head of the research department.

★

Mr John Reeve has been appointed a director of ENGLISH CHINA CLAYS. He is managing director of the group's construction division.

★

Mr Tony Caplin has been appointed managing director of AIR CALL COMMUNICATIONS which he will shortly be joining from One to One Inc, a subsidiary of Pacific Telesis, a regional Bell operating company. As its managing director and president, Mr Bell has been the driving force behind One to One's growth in the electronic mail market. He was the first British person to have been the president of a regional Bell operating subsidiary.

Legal Notice

IN THE MATTER OF
LUMMUS CONSTRUCTION (CYPRUS) LTD
AND IN THE MATTER OF THE
CYPRUS COMPANIES LAW CAP 113

NOTICE IS HEREBY GIVEN that the creditors of the above-named company, which is being voluntarily wound up are required on or before the 21 day of November 1986 to send in their full names, their addresses and descriptions, full particulars of their debts or claims and the names and addresses of their solicitors (if any) to the undersigned Mr Antony Hajirousso FCCA of Julia House, 3 Them. Dervis Street, P.O. Box 1612, Nicosia, Cyprus, the liquidator of the said company, and if so required by notice in writing from the said liquidator, are, personally or by their solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 22 day of October 1986.
A. Hajirousso FCCA
Liquidator.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims:—Carlton Industries, El Oro Mining and Exploration, Exploration Co, Hammerson Property Investment and Development, Hawker Siddeley, Securities Trust of Scotland.

Finals:—International City Holdings, William Sinclair, Stocklake.

FUTURE DATES

Interims:—

Airflow Streamlines	Oct 30
AmBrit International	Nov 5
Arbuthnot Yen Bond Fund	Oct 31
Cater Allen	Nov 7
Cohen (A.)	Oct 29
Ellis and Goldstein	Oct 30
Equity and General	Oct 23
Globe Investment Trust	Oct 29
Henara	Oct 31
Land Securities	Nov 12
Mitchell Somers	Nov 13
North Sea and Gen. Oil Invts.	Oct 23
Powell Duffryn	Nov 25
Southend Stadium	Oct 29
Vanbrugh Currency Fund	Oct 27

Finals:—

Allied London Properties	Oct 27
Amer	Nov 5
British Car Auction	Oct 28
Chesterfield Properties	Oct 28
Frogmore Estates	Oct 28
Piccadilly Radio	Oct 30
UDO	Nov 3

High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
146	118	Ass. Brit. Ind. Ord.	133	—	7.3	5.5	8.1	7.6
161	121	Ass. Brit. Ind. CULS	130	—	10.0	7.7	—	—
125	43	Airsprung Group	98	—	7.6	7.9	6.0	6.4
46	28	Armitage and Rhodes	37xd	—	4.2	11.4	5.2	4.7
198	108	Bardon Hill	198	+1	4.6	2.3	22.5	20.6
84	42	Bray Technologies	84xd	+1	4.3	5.1	10.0	9.1
201	75	CCL Ordinary	97	+1	2.9	3.0	6.9	10.8
152	88	CCL 11pc Conv. Pf.	89	—	15.7	17.6	—	—
253	80	Carborundum Ord.	253	—	9.1	3.6	12.2	12.5
94	83	Carborundum 7.5pc Pf.	91	—	10.7	11.8	—	—
146	46	Deborah Services	146	—	7.0	4.8	15.2	20.0
32	20	Frederick Parker Group	23	—	—	—	—	—
125	50	George Blair	100	—	3.8	3.8	2.6	3.7
93	20	Ind. Precision Castings	93	+1	6.7	7.2	8.3	8.2
218	152	Isis Group	152xd	—	18.3	12.0	8.7	6.8
128	101	Jackson Group	128	—	6.1	4.8	6.7	7.8
377	228	James Burrough	370	—	17.0	4.6	10.4	9.5
100	86	James Burrough 9pcPf.	93	+1	12.9	13.9	—	—
1035	342	Multihouse NV	840	—	—	—	44.0	57.4
380	260	Record Ridgway Ord.	379	—	—	—	6.8	11.7
100	87	Record Ridgway 10pcPf	87	—	14.1	16.2	—	—
90	32	Robert Jenkins	90	—	—	—	4.0	5.6
38	26	Scruttons "A"	38	—	—	—	—	—
127	66	Torday and Carlisle	127xd	+1	5.7	4.5	7.7	7.8
370	320	Trevian Holdings	322	—	7.9	2.5	6.7	8.8
70	25	Unilock Holdings	69	—	2.8	4.1	12.7	11.9
102	47	Walter Alexander	97xd	—	5.0	5.1	9.3	8.9
226	190	W. S. Yeates	197	—	17.4	8.8	19.7	21.9

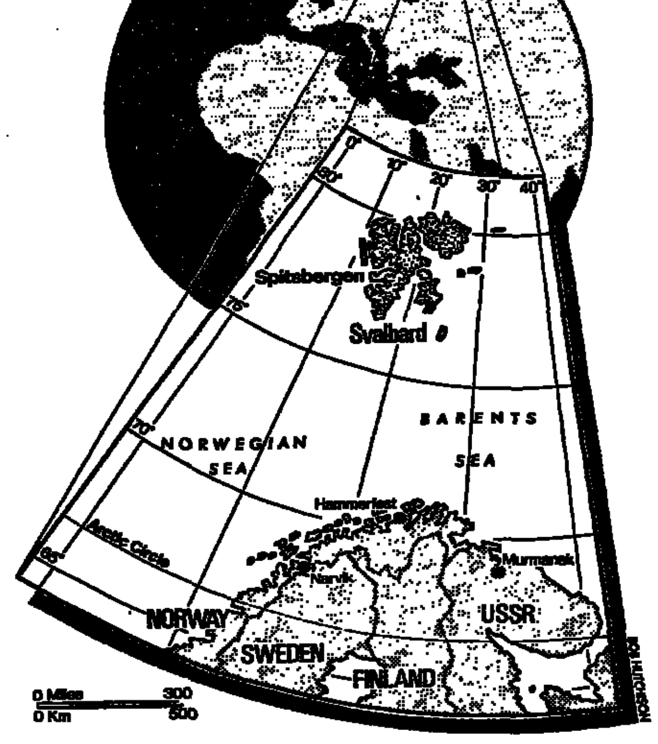
FINANCIAL TIMES SURVEY
Wednesday October 22 1986

Arctic Regions

Modern technologies are opening up this vast area of the Nordic countries, and reaching its potentially huge natural resources. Traditional ways of life are already under threat. Strategically, the Arctic is part of the web of Superpower politics.

By Kevin Done, Nordic Correspondent

Norwegian oil company team carrying out seismic tests for hydro carbons



ONE OF THE world's last frontiers, the Arctic is coming under increasing pressure as the focus of strategic superpower rivalry sharpens on the Arctic Ocean, and new technologies are developed to explore and exploit the region's potentially rich natural resources.

Norway, Sweden and Finland, with large parts of their countries lying north of the Arctic Circle, have an important stake in the Arctic's development and technologies for opening up the region.

At the same time they face similar problems in maintaining their fragile regional economies in the north in what is perhaps Europe's last wilderness. The areas are vast and only sparsely populated and the pull of the larger cities to the south is almost impossible to resist.

Confronted by their large superpower neighbour to the east and with their northern regions on the doorstep of the Kola Peninsula, where the world's largest naval base is situated, Norway, Sweden and Finland are also caught up in the increasingly delicate and complex security and defence puzzle of the Arctic which has come to play a central role in the balance of deterrence between the US and the Soviet Union.

The delicate balance of security policies pursued by Norway, Sweden and Finland have helped to ensure several decades of relatively low tension in the Nordic region and the surrounding waters of the Norwegian Sea, the Barents Sea and the Arctic Ocean.

Norway, in particular, which shares a common 196-kilometre border with Soviet Union at the extremity of Nato's northern flank, is less than 100 kilometres from major Soviet bases, which play a vital role in the context of the competition and central balance of deterrence between the US and the Soviet Union, as well as Moscow's global interests and ambitions.

The southern Barents Sea is the only year-round ice-free entrance from the Soviet Union to the world oceans, hence the military build-up by the Soviets of the Kola Peninsula which is the home of the Soviet northern fleet.

A new shadow has passed over the Scandinavian Arctic this year with the radioactive fall-out from the Chernobyl nuclear accident, which has contaminated a large part of the reindeer herds that for hundreds of years have been the mainstay of the Lapps, the people who have inhabited the northern region of Scandinavia and the north-west corner of the Soviet Union since ancient times.

Sameatnam, the country of the Lapps, or the Saami as they prefer to be called, is intersected today by four national boundaries. There are reckoned to be some 20,000 Saamis in Norway, 10 to 15,000 in Sweden, 3,000 in Finland and about 2,000 in Russia.

Their way of life has come under steadily increasing pressure as modern society has put heavy demands on the natural resources of the Arctic region. The development of iron ore and other minerals, of the forest industry, hydro-electric power and most recently tourism, has made deep inroads into reindeer grazing grounds, *undermining the Saami's traditional livelihood.*

The fall-out from Chernobyl has struck a deep psychological blow, as the contaminated reindeer have been condemned as animal feed for mink and fox farms, and every animal slaughtered has been tested to establish the becquerel count of caesium 137.

Many of the communities in Arctic Scandinavia are particularly dependent on one industry, whether mining, fishing and fish processing or forestry, and unemployment is high as operations in several of these sectors have been rationalised and cut back to meet the often wild fluctuations of world markets.

Hardened by such experiences, however, there are signs in parts of the Arctic provinces of a new vigour as communities seek to fight the powerful centralising tendencies and attempt to diversify local economies.

For example, Sweden's most northerly municipality, Kiruna, is trying to encourage the development of high-technology industries in computer software and electronics by boosting its links with the country's fledgling space industry.

Just south of the Arctic Circle in the Finnish university city of Oulu on the Gulf of Bothnia, local leaders are following international example by setting up a technology park to capitalise on research expertise available at the university.

The new industrial policies are being promoted by the university and other research institutions to help the region cope with the problems of industrial change. Faced by unemployment of about 10 per cent and the statistic of two extra young people coming on to the labour force for every worker going into retirement, Oulu is investing heavily in information technology training and in backing fledgling high-tech companies.

Such opportunities are clearly lacking in the much smaller communities further north, however, but even there can be found signs of increasing local enterprise, the tourist industry included.

Communications in the Arctic have been improved, not least by the new Nordkalotten Road, which in 1984 finally opened a direct road link through the mountain chain separating the *hinterland of Swedish Lapland* and Norway's north-western coast at Narvik.

While the lure of the vast areas of wild unspoiled nature attracts tourists, the region is also being opened up for quite new forms of resource exploitation in the shape of the hunt for petroleum which in recent years has moved offshore into the Barents Sea in both Norwegian and Soviet waters.

The continental shelf of the countries located around the rim of the Arctic Ocean represents the largest continuous shelf area in the world. The active exploitation of onshore resources is already well under way. Some 60 per cent of Soviet production of petroleum is extracted under conditions of permafrost in western Siberia, while close to a fifth of US oil production comes from Alaska.

Norway hitherto has concentrated its hydrocarbons search in the closer waters of the North Sea, but in fact as much as 70 per cent of its continental shelf is found under Arctic waters north of Latitude 70 deg North.

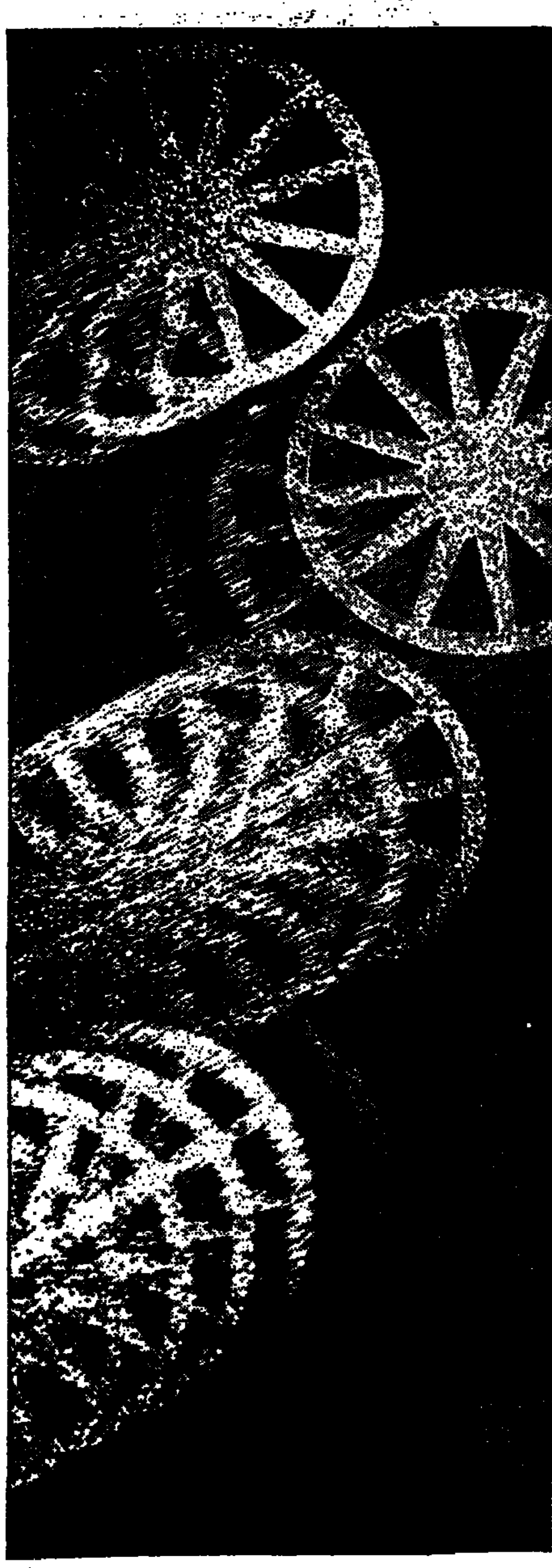
Drawing on the advances in technology and the experience gained from North Sea operations, the Norwegian government has gradually opened areas in the north for exploration. Drilling operations off northern Norway *started* in 1980 and under the present licensing round are expanding northwards and eastwards more deeply into the Barents Sea.

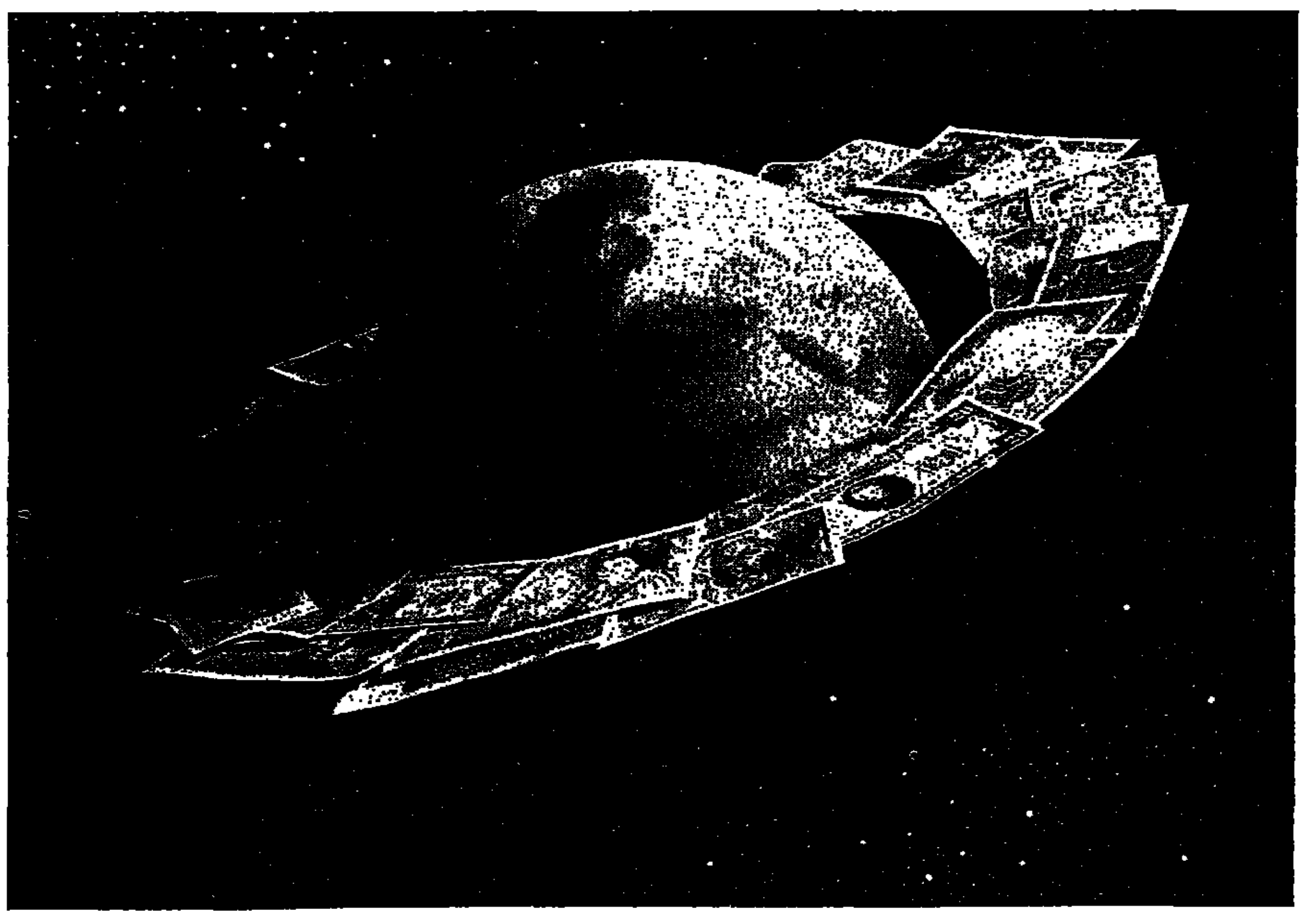
The Norwegian government is concerned that the current low level of oil prices could impede the exploration and development of new fields in high-risk, high-cost areas such as the Arctic. Judging from the latest offshore licensing round, the oil companies are still interested in exploring these new frontiers, however, in a region *where only scant knowledge* exists as yet as to the magnitude and character of the resources.

At the same time, Norway and the Soviet Union have still to come to grips with the dispute over the drawing of a median line delineating their respective shelf areas in the Barents Sea. The area in dispute, at 155,000 square kilometres, is bigger than the whole of the Norwegian sector of the North Sea.

The degree of access that is being won to the Arctic is clearly a double-edged sword. As Mr Torbjorn Froysnes, former state secretary in the Norwegian Foreign Ministry points out: "The technological advances that have rendered feasible the deployment of strategic missiles in polar seas have also made possible the near quantum leap we have witnessed over the past years in the capacity to exploit the natural resources of the Arctic."

All these changes have transformed the region and its future.





Oil and gas search intensifies

WITH ITS eleventh offshore licensing round Norway is moving the oil and gas search deeper than ever before into the Arctic region.

Petroleum exploration in the Scandinavian Arctic has been under way for several years, but the search is now intensifying as new areas of the north Norwegian continental shelf in the Barents Sea are opened for drilling.

The Soviet Union too is devoting increasing resources to the Arctic offshore, and pressure is building slowly but surely on areas still affected by unsettled political and legal disputes.

For years Norway and the Soviet Union have been unable to settle the boundary line marking their respective continental shelves in the Arctic. In the Barents Sea there is a vast disputed area, which at 155,000 square kilometres is larger than the whole of the Norwegian North Sea south of 62 deg North, the area where so far all of Norway's oil and gas development and production has taken place.

The Arctic oil and gas search is also placing new burdens on interpretation of the 1920 Svalbard treaty, which governs the sovereignty of the high Arctic archipelago.

The treaty gives sovereignty to Norway over all the islands in the so-called Svalbard Box between 81 and 74 deg North. Signatory nations have certain non-discriminatory right to acquire concessions for the purpose of exploration and exploitation of minerals, with considerable tax benefits.

The treaty was drawn up after the First World War, decades before legal definitions about the continental shelf and offshore exclusive economic zones were thought of. It refers specifically only to land and territorial waters of the Svalbard achipelago Islands, and that is how the Norwegians would like to leave it, with the Svalbard continental shelf subject to the same jurisdiction as the rest of the Norwegian continental shelf.

The Soviet Union, for one, disagrees, maintaining that the treaty—and therefore equal right for all—applies to the continental shelf beyond territorial waters. Most other major signatory nations such as the US, France and the UK are still sitting on the fence and have reserved their positions.

This legal dispute has not yet led to any concrete conflict, but the eleventh offshore licensing round now in progress, offers for the first time concessions in the area known as Bear Island South, which immediately abuts the Svalbard Box.

Exploration onshore on Svalbard is currently enjoying something of a revival, with several oil companies showing renewed interest after the first wave petered out in the mid-1970s.

British Petroleum has been carrying out seismic surveys on the glaciers of Spitsbergen for the last two summers after starting preliminary geological work in 1984. Elf Aquitaine is planning a third season of general geological survey work for next year, and both the Norwegian oil companies Statoil and Norsk Hydro are stepping up their activities.

Norsk Hydro has entered into a joint venture with Store Norske, the Norwegian coal mining company which controls a vast area of prospecting claims on Spitsbergen, with a view to collaborating in the future search for profitable natural resources on Svalbard Statoil has been working on geological expeditions on Svalbard since 1977, and in the last couple of years it has begun seismic exploration of some of the fjords and on the glaciers.

"The conditions are present to find oil and gas on Spitsbergen," says Mr Johs Vik, the Norwegian Commissioner of Mines based on Longyearbyen, "though it is a high-risk area." He readily acknowledges that the main reason for the oil companies' new-found interest in Spitsbergen is what it can tell them about the geology of the surrounding Barents Sea, which is regarded as a much more prospective area.

Some 12 wells have already been drilled on Spitsbergen, though only two in the last ten years, and all with disappointing results. A 13th well is currently being drilled by Trust Arktikugol, the Soviet coal mining company on Spitsbergen.

The main exploration effort will be concentrated offshore in coming years, however, and with new technological developments such as Norsk Hydro's purpose-built Polar Pioneer drilling rig, the arctic waters are being opened up for all-year round exploration.

On the north Norwegian continental shelf several promising finds, chiefly of gas, have already been made, but the slump in oil prices and the quantities discovered make it unlikely that such finds will be developed before the end of the 1990s at the earliest.

Mr Henrick Ager-Hanssen, senior executive vice-president of Statoil, the Norwegian state-owned oil company, says: "The most important challenge in the further development on the Norwegian continental shelf is not any more the increased water depth nor the harsh climate. It is the dramatic fall in oil and gas prices that has taken place during the first part of this year, and the consequences it has on our perceptions of the future price development."

Mr Ager-Hanssen considers it unlikely that the north Norwegian gas finds will be developed until alternative gas markets are found in western Europe, most probably LNG (liquefied natural gas) sales to the US. But that market is not expected to open up much before the end of the century.

Still the Norwegian authorities are putting increasing emphasis on exploration in the north, and seismic studies now under way are expected to open more than 600 new blocks for bidding towards the end of the 1980s.

The Troms 1 area in the south western Barents Sea was the first area opened by the Norwegians with the first well drilled in June 1980. The results since have been considered quite encouraging and subsequent wells have demonstrated good potential reservoir rocks and rich source rocks. Two important gas finds, Askeladden and Albatross, have been made, as well as the most promising discovery, Snohvit, which contains both oil and gas.

According to the Norwegian Petroleum Directorate: "There are good reasons to assume that major discoveries of oil as well as gas will be made in the Norwegian arctic areas." The main challenge to potential developments is considered to be not so much the technological obstacles, as the present lack of infrastructure in the region and the long distance to possible markets.

The continental shelf of the Soviet Arctic is the largest in the world. Until a few years ago the Soviet Union did not have the technology for offshore exploration except in shallow areas of the Caspian Sea. But they have now acquired both seismic vessels and a number of drilling units.

These include three large drill ships with dynamic positioning systems built at the Rauma Repola shipyard in Finland. The vessels are some of the most advanced drilling units for arctic offshore areas in the world.

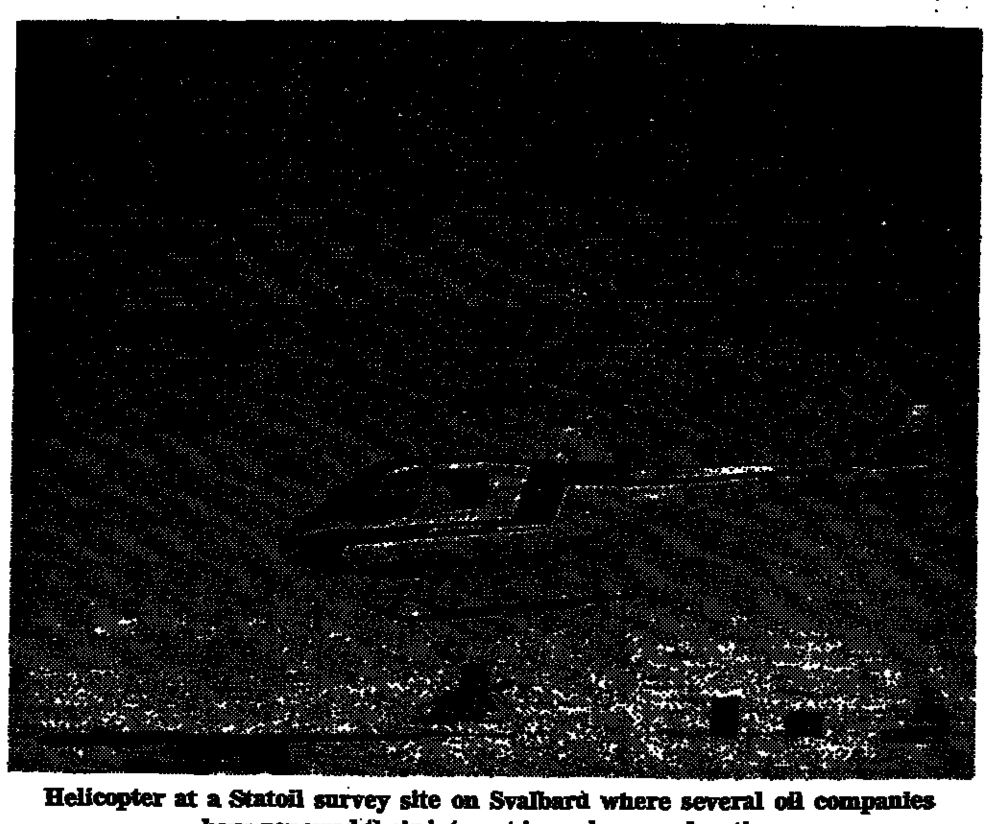
The first drilling operations in the Soviet Barents Sea were begun in May 1982 by one of the Finnish built drillships, Velentin Shashin. Drilling has been stepped up with the addition of more units, but according to a recent study by Norway's Fridtjof Nansen Institute: "The operations have run into continous technical problems, which have caused long delays."

The institute says: "The Soviet offshore venture has the character of a deliberate, well-calculated effort as regards planning and input of equipment. Such underlying ambitions are not matched by performance in the field, however, as demonstrated by the dismal drilling record."

The problems encountered by the Soviet Union in the Barents Sea, according to the report, are due mainly to inexperience, as the Soviet Union has no offshore industry of its own comparable to the West. It suggests that the Soviet gas industry may choose to invite large-scale foreign participation in Barents Sea oil exploration and possible development.

"Large-scale Western participation is a prerequisite for major progress in oil exploration in the Soviet Barents Sea," the report says. "If the Soviet Union really wants to make this area a serious option for oil production in the 1990s, extensive outside assistance will be needed in both exploration and production."

Kevin Done



Helicopter at a Statoil survey site on Svalbard where several oil companies have renewed their interest in onshore exploration

Tourist success endangers the wilderness

GOVERNMENT promotional campaigns to entice tourists to Lapland are proving so successful that visitors flocking to the arctic crown of Europe in search of natural beauty and solitude are beginning to threaten the very wilderness which attracts them.

The area now generates about one-tenth of all tourism in Norway, Sweden and Finland. Travel agents are selling nearly 3m bed-nights a year north of the Arctic Circle, a region billed as the Land of the Midnight Sun, Europe's Last Great Wilderness and the Home of Santa Claus, depending on the season.

During the short 12-week summer period, 120,000 tourists last year visited Norway's North Cape, a previously desolate coastal beauty spot which happens to be Europe's most northerly headland, and an ideal vantage point from which to watch the evening sun skim the horizon before it rises again at midnight.

"It may not seem very many people compared with major tourist attractions elsewhere in Europe," says Mr Howard Sannes, research manager at the Norwegian Tourist Board. "But compared with an indigenous population of only 70,000 people in northern Norway, it is quite an invasion."

Each year, about 3m visitors spend NKr 5,500m (£520m) in Norway, about 1½ per cent of the country's GNP. In neighbouring Sweden, tourism annually adds SKr 10,000m (about £1bn) to the economy, and Lapland, or Samiland as it is now known, is high on the list of priorities.

This Christmas day-trippers will be able to fly by Concorde from the UK to Rovaniemi on the Arctic Circle.

"It is an important source of income to us," Mr Sannes says. "Especially in the north where the opportunities for generating jobs are less."

The traditional attractions for visitors to Samiland are hiking, climbing, hunting, fishing and ski-ing.

Last year, 1.6m bed-nights were sold in the northern province of Norrbotten alone, compared with 7.5m for the whole of Sweden.

In Finland, which boasts more than a dozen national parks covering thousands of square miles, one accommodation centre provides 4,500 beds in simple cottages and first class hotels—with slalom slopes, ski-lifts and illuminated ski-trails on the doorstep.

Mr Ingvar Mattson, a director of the Swedish Tourist Board, says: "We are continually developing resort areas, although there is always a conflict between the desire to build a new hotel, hunting lodge or ski-lift, and the need to preserve reindeer grazing land.

"Our local organisers are negotiating with the Lapps (Sami) all the time. It is much easier to discuss these issues with them now than, say, 10 or 15 years ago. They have a more positive attitude because they have realised that tourism brings money and jobs."

To this end, the Nordic Council is planning to build a zoo of 600 animals at which it will study and breed bears, lynxes and other rare arctic species.

Not all Sami are happy about the rise in tourism, however. Many reindeer herdsmen want tighter controls on visitors, who they say trample the vegetation and frighten the reindeer, often when the cows are giving birth or the animals are gaining weight for winter.

Another complaint is that tourists drive too quickly, intent only on reaching the North Cape to see the midnight sun.

"Tourists may take a quick photograph of someone in traditional dress by the roadside, or buy a pair of reindeer boots, but they rarely show any interest in our culture," they say.

Nevertheless, tourism is an increasingly important aspect of Sami life in both summer and winter. This Christmas, day-trippers will be able to fly by Concorde from the UK to Rovaniemi, the Finnish university town on the Arctic Circle.

Here, after an in-flight Champagne breakfast, they will be photographed on arrival with Santa Claus, be given the opportunity to buy souvenirs, and driven to a forest lodge for a 50-dish meal with more champagne and wine, served by Sami in traditional red-and-blue tunics and pompom hats.

The cost to the Christmas revellers, who after yet more Champagne will be back in Britain by early evening, is £665.

For wealthy tourists who have tired of more traditional holidays and prefer to stay longer, Sami guides at Inari, 120 miles north of the Arctic Circle, will take them salmon fishing, panning for gold or shooting fierce rapids in 16-seater canvas boats.

In winter, the tourists watch reindeer round-ups or join safaris. Encased in thermal underwear, down-filled anoraks and fur hats, they are packed snugly in reindeer-drawn pulkas and drawn to the sound of tinkling bells across the snow-clad fells in temperatures as low as -30 deg C.

"The groups who've been on our expeditions constantly urge us to plan something new, and more demanding," says Timo Lappalainen, a guide at Inari, 120 miles north of the Arctic Circle. "One Italian group wanted to ski to Nuogram, the northernmost place in Finland.

"Then somebody got the idea of ski-ing to the North Cape in Norway. It took us several days, skiing through completely deserted fells."

With the steady development of tourism in the north, state tourist chiefs urged their respective governments to improve transport facilities in the arctic regions.

In 1984, ignoring the advice of military strategists, and to the horror of many Sami leaders, government officials opened a new road which sliced right through Samiland, linking Narvik in Norway to Kiruna in Sweden, where it joins an older road to northern Finland.

The difficulty for the Sami herders is that while tourism may provide some of them with a welcome supplementary income, the roads which bring the tourists bring noise and disruption, and sever traditional migration routes of the highly-sensitive reindeer.

Their concern now is that the trans-Samiland highway will eventually invite spur roads, refuelling stops, fast food restaurants, hotels, and more lodges—and the ultimate destruction of the wilderness.

Sam Hall

Sam Hall is a television reporter working for TV-AM in London and author of The Fourth World, a book on the Arctic, to be published by The Bodley Head next spring.

Icebreakers key to trade

A NEW generation of Finnish-designed icebreakers is expected to revolutionise trade in the Soviet Arctic, and could help to open up the fabled North-west and North-east passages by the end of the century.

"We can solve virtually any problem in the arctic now," says Mr Goeran Wickman, of the Wartsila Arctic Research Centre in Helsinki.

"Icebreakers of the future will have three rudders and three propellers. These would be up to 30 feet high with 70,000 horsepower shafts. The result is a ship of 210,000 hp which could travel at a steady two or three knots through ice nine feet thick," Wickman says.

Designers at Wartsila, which builds 60 per cent of the world's icebreakers, believe it is now theoretically possible for ships to smash through ice ridges of 90 feet thick, the equivalent of five double-deck buses stacked one on top of the other.

"The only problem is the price," Mr Wickman says. "A ship of this type would cost approximately £200m, but you would also need huge cargo ships to make it pay."

Nevertheless, Finland's Soviet neighbour is moving in this direction, not least because of the urgent need to develop Siberia and Yakutia.

Stretching 4,000 miles from the Urals to the Pacific, these arctic regions are so rich in untapped minerals that they could become the mightiest industrial area of the 21st century, with the potential to transform the Soviet Union into the world's richest country.

The Arctic already provides 65 per cent of the Soviet Union's oil, 32 per cent of its natural gas, 73 per cent of its minerals, and 30 per cent of its timber, paper and cardboard.

The region contains more than half the earth's hydro-carbon reserves. There is enough coal to supply the world for 600 years, and there are huge deposits of lead, zinc, copper, nickel, iron manganese and uranium—as well as platinum, gold, silver and diamonds.

Until recently these riches were inaccessible. Now, icebreakers are increasingly providing the transport links necessary for their extraction.

The Soviets are well aware of Finland's own success in opening up shipping lanes to industrial centres in the Gulf of Bothnia.

Until the 1970s northern ports like Kemi, Oulu and Raahe—the lifeline for many paper and pulp, chemical and steel plants—were icebound. Now, Finland spends nealy £30m a year operating and maintaining a fleet of 10 icebreakers to keep the ports open throughout the year.

Each winter, with the help of Finnish expertise, Soviet convoys in the Arctic Ocean nudge further east towards the Chukchi Peninsula. Nuclear icebreakers have already opened up year-round shipping lanes from Murmansk to the Yenisei River, along which hundreds of small ships move more than 5m tonnes of cargo a year.

"After 50 Soviet ships were trapped in the nine-foot thick ice in the winter of 1984-85, there was a feeling among the Soviets that there must be at least one huge icebreaker, just as life insurance," Mr Wickman says.

Now, under an agreement with V/O Sudoimport, Wartsila is building two 52,000 hp nuclear icebreakers specially designed for use in the shallow estuaries of north Siberian rivers, which are inaccessible to the present deep-draught nuclear icebreakers.

The deal, worth two billion Finnmarks, is the largest single order ever obtained by a Finnish industrial enterprise. The vessels are to be delivered in 1988 and 1989.

Future generations of ice-breaking ships will be equipped with a unique air bubbling system to prevent friction between the ice and their hulls. Prototypes on 14 icebreaking cargo ships have already proved successful on the Murmansk-Yenisei route. Known as SA 15s, these ships are capable of operating through three-foot thick ice even when carrying 15,000 tons of cargo.

Extensive research and development work by Wartsila engineers has also produced a series of air cushion vehicles capable of operating in coastal waters, on ice and snow, and in hard or swampy ground, in temperatures as low as minus 40 deg C.

Such vessels, capable of carrying up to 40 tonnes of cargo, would be of immense importance in Siberia, where each summer hundreds of thousands of passengers and more than 100m tons of freight are ferried along 42,000 miles of navigable waterways.

Sam Hall

Kiruna's ore losses stemmed by job cuts

THE FORTUNES of Kiruna, Sweden's most northerly municipality, have always been intimately tied up with the economic well-being of LKAB, the Swedish state-owned iron ore mining company. Like so many arctic communities dependent on one major employer, it has had to endure wild fluctuations as the mines have followed the vicissitudes of the world iron and steel industry.

With 400 kms of tunnels LKAB operates the world's largest underground mine at Kiruna, and today is the only major producer of iron ore in western Europe.

By the end of the 1970s Kiruna was deep in crisis, as one loss-making year followed another at LKAB and iron ore production plunged until, by the early 1980s, it was less than half the 1974 peak of 31m tonnes. In one year, from 1981 to 1982, LKAB's share of the market in western Europe dropped from 13 to 9 per cent.

The company was forced to make drastic reductions in its workforce to stem the losses and as a result the population of Kiruna has dropped sharply from a peak of 31,300 to a present level of some 26,800, as people have been forced to leave the region to seek work further south.

Kiruna is still a young community, which only really came into being in 1900 with the opening of the ore fields and the decisive opening of a railway link to the ice-free Norwegian port of Narvik in 1903.

The cutback at LKAB has been painful with open unemployment still at around 8.5 per cent in Kiruna. "It left us with many empty houses, a lower tax base and an over-sized administration and services," says Mr Lars Essling, deputy chairman of the Kiruna municipality and one of the main forces behind its drive to diversify its economy and make itself less dependent on the iron ore mines.

After the dark years of the late 1970s and early 1980s, there is a new spirit of optimism in Kiruna today. The state-owned company is profitable again after two financial reconstructions in 1981 and 1983 and it is aggressively winning back market shares in Europe.

Wiking Sjostrand: cut costs

Kiruna is also seeking to broaden the region's tourist appeal to take advantage of improving communications links offered by more frequent air connections to Stockholm, the extension of Kiruna Airport's runway, and the opening in 1984 of a direct road link to Narvik and the Atlantic coast of northern Norway.

Despite these efforts it is still the performance of LKAB, however, that most crucially determines the fortunes of the region. In the 1970s LKAB supported directly or indirectly more than 90 per cent of all employment in Kiruna, and even today it still supports 70-80 per cent, says Mr Wiking Sjostrand, LKAB managing director who joined the company in 1981 as part of a far-reaching management shake-up.

In the seven years from 1976 to 1982 LKAB ran up losses at an average of SKr 500m a year, and the state was forced to pour in more than SKr 5bn to keep the ailing concern afloat. The financial aid together with a series of radical restructuring measures have returned LKAB to financial health during the past three years, however, and in 1985 and 1986 it is expected to reap record profits.

Drilling rig at work in the Kiruna mine

During the reconstruction it has disposed of most of its subsidiaries in operations such as coal trading, uranium and international consulting in order to concentrate on the core iron ore mining activities.

One open-cast mine at Svappavaara has been closed, the workforce has been more than halved, the head office moved from Stockholm to Lulea, improved ore qualities have been developed. The company has mounted a major sales and marketing effort to win back European market shares from its main competitors in Canada, Brazil, Australia, Mauritania, Liberia, Venezuela and South Africa.

The LKAB workforce has been cut by 4,400 since 1976 from some 8,300 to a present level of only 3,900. "That was a dramatic move in a region where there are no other jobs," says Mr Sjostrand, "but this allowed us to cut costs by around SKr 500m a year."

When the steel industry crisis first hit LKAB in 1975, iron ore production dropped to 21m tonnes from 31m a year earlier, but the company was slow to react, expecting the weakness in the market to be short-lived.

By 1981 the company still had the capacity to produce 25m tonnes of ore a year, but the new management set about a drastic reduction. "We decided to be a 15m-tonnes-a-year company," Mr Sjostrand says. "Everything—personnel, investments, production equipment—were adjusted to the new level. We said if the market demands more then we would produce it with the same workforce."

At the same time, LKAB sought to improve its products in line with changing market demands. The market for high phosphorous ores has shrunk rapidly during the past decade, with many steelworks closing down and others going over to low phosphorous operations.

Technical developments have enabled LKAB to reduce the alkaline impurities in its ore, while at the same time a new type of blast furnace pellets, so-called olivine pellets, have helped the group overcome the traditional wide fluctuations in the pellets market.

With its much leaner organisation LKAB still managed to produce 18m tonnes of ore last year with deliveries of 18.9m tonnes and for 1986 Mr Sjostrand expects deliveries to exceed 19m tonnes with production at 18.5m tonnes.

The steel market in the European Community—80 per cent of LKAB output goes to Europe—has weakened this year, but LKAB has managed to increase its market share. With production running at full capacity it now has about 12 per cent of the European market compared with 9 per cent in 1982 and 15 per cent in 1979-80.

Profits soared to SKr 833m (after financial items and extra depreciation of SKr 192m) last year, the best result in LKAB's history with a return on capital of 19.7 per cent, and profits are expected to reach close to the same level this year.

Kevin Done

Minerals hope in Kola Peninsula

MINERALS, and possibly offshore oil and gas, are what the Scandinavians want from the Kola Peninsula, the north-west corner of the Soviet arctic adjacent to northern Norway and Finland. Scandinavian companies are vying with each other for a stake in what could prove to be an important source of future minerals production.

The Russian authorities have said that the Kola Peninsula contains more than 700 minerals, and they have approached several mining and engineering companies in Norway, Sweden, and Finland expressing an interest in Scandinavian mining expertise, technology and equipment.

Scandinavian interest in the Kola Peninsula's mineral potential started to kindle in the 1980s, but since the end of 1984, the Russians have taken the initiative to invite various companies to talk about the possibility of participating in mineral projects.

More concrete discussions have taken place this year, with "working groups" and business delegations shuttling to and fro on Aeroflot between Moscow, Murmansk, and the Scandinavian capitals.

Most of the companies are reluctant to talk about the project in detail because they say negotiations are still at a sensitive stage, though according to at least one businessman: "It takes a long time to hold talks with the Russians, and who knows when we will get a signed agreement."

Several Finnish companies, (including Outokumpu, Kemira, Partek, Lohja and Rautaruukki) have joined a Soviet-Finnish working group with representatives from the Soviet ministries of ferrous metallurgy, fertilisers industry, and construction materials industry.

The group was set up a year ago and is due to produce its assessment of the Kola Peninsula project at the end of 1986.

There are three main areas of potential business. The first is to see whether the companies can be of any help in improving the existing production in the Soviet apatite mines near Apatiti.

Apatite is the natural phosphate and flouride of calcium and is used in the manufacture of fertilisers. Russia mines 50-55m tons of ore in the area, producing between 18 and 20m tons of apatite a year, and wants to improve its technology and level of production.

The consultancy arm of the Swedish mining and minerals company Boliden is one suitor for the task. At the moment, the Russians are operating an open pit, but they want to develop an underground mine project and need advice on how to prevent the rock from caving in.

Mr Jan-Erik Nelleus, technology transfer manager at Boliden, says a similar sort of mining project in Sweden would cost about $100m to open, develop, and equip. Boliden has experience of such mines in Kiruna where the apatite comes together with iron ore.

Boliden needs the apatite because it used to produce phosphoric acid at Boliden's Helsingborg plant. The particular attraction of Russion apatite is that it is free of flourine and chlorine, and so can be used in the production of cattle feed.

The second (and to many of the Scandinavian companies, most promising) area of business, involves the extraction of various minerals from the waste which is left over from apatite mining. According to their estimates, the Russians have above 500m tons of waste ore containing other valuable minerals. Different companies of course have their eyes on different ingredients.

One Norwegian company spokesman says: "We are desperately in need of basic information about the mineral composition of the waste ore. The Russians are supposed to be supplying us with this, but one needs patience."

"For the time being, the companies do not know whether the project is technically feasible or even economically worthwhile.

Partek, the Finnish minerals and construction materials company, is interested in both providing the technology for an extraction project, and in using the end-products. The company wants to upgrade some of the minerals it uses, for example in the manufacture of mineral wool which is used for heat and cold insulation.

"This mineral extraction is a very large project," says Jan-Erik Nelleus. There are five apatite mines in the Hiblinski district and the Karvdor district, and three ore dressing plants.

Boliden expects to find titanium and iron ore in the waste, as well as rare earth metals, and various minerals used in aluminium production, in the ceramics industry, and in cement.

However, "We still need to know which minerals are worthwhile recovering, what production levels we shall use, and what are the export possibilities," according to Boliden's spokesman.

Payment in production, whether of apatite or other minerals, is what most companies are after. The Finnish company Outokumpu, while keen for payment in production so far as this concerns minerals used in their own metallurgical plants in Finland, wants currency payment for the nickel project in Petsamo on which they are negotiating now.

Norsk Hydro says that it, like other Norwegian companies, has been invited by the Russians to "pick over the waste ore."

For the Norwegian company Elkem, the chief attraction is not so much the minerals, but the application of their smelting technology and expertise.

The least feasible of all the projects mooted on the Kola Peninsula is that of starting work on "greenfield deposits." So far, only Norsk Hydro, which produces nitrates for explosives, has shown a serious interest and wants to get involved once the Russians start new mining projects.

If the mineral aspect of the Kola Peninsula seems elusive, then the offshore oil and gas looks positively ephemeral by comparison. Findings so far have been very limited, but this has not stopped eight Norwegian companies in the offshore industry from forming a joint venture. Boconor, in readiness for the day when Russia makes a big find.

Sara Webb

Space research programme grows

THE FIRST satellite pictures of the Chernobyl nuclear disaster were produced by the satellite image corporation (Satellitbild), a subsidiary of the Swedish Space Corporation (SSC) based in Kiruna. Data for the pictures was received at Esrange, SSC's nearby rocket range and satellite control station, from the US Landsat and French Spot remote sensing satellites.

"Chernobyl demonstrated that we had a working facility here with rapid reactions, that could programme and process data and then distribute it very rapidly," says Mr Arne Helger, managing director of Esrange. "From the pictures you could see there was damage and you could see when the other reactors were turned off."

The space industry facilities in northern Sweden far above the Arctic Circle may still be modest, but the location at such high northern latitudes gives Kiruna a unique advantage both as a base for certain scientific research and as a satellite ground station for satellites in polar orbit.

Sweden is also entertaining ambitions for turning Esrange into a launching range for "low-cost" satellites by the early 1990s, partly to take advantage of the opportunities offered by the problems of both the US Space Shuttle and the European Ariane satellite launching systems.

Kiruna first became a location for scientific research in the 1950s with the setting up of the Kiruna Geophysical Institute, which has played an important part in developing Sweden's role in magnetospheric and ionospheric research.

The Scandinavian arctic is ideally placed for the study of the aurora borealis, the Northern Lights, one of the most spectacular atmospheric phenomena which can be seen from earth.

"In these latitudes we can exploit the special access to this sort of plasma physics," says Prof Bengt Hultquist, director of the Kiruna Geophysical Institute. "It is only here that we can study in detail from the ground with electromagnetic measurements, sounding rockets and satellites."

Since the 1960s Esrange has served as a launching range for sounding rockets and research balloons. Today, with six permanent launchers it can handle most types of sounding rockets, such as the US Aries, the US-Canadian Nike-Black Brant and the UK Skylark. A guidance system for sounding rockets developed by the Swedish Space Corporation and Saab-Scania, the Swedish automotive, aerospace and space group, makes it possible to launch rockets to altitudes of more than 500 kilometres from Esrange.

About half of the rockets launched today are equipped with recovery systems and the possibilities for land recovery make Esrange very suitable for microgravity experiments using rockets.

There is scientific co-operation in space research across the frontiers of Arctic Scandinavia with linked facilities at Tromso, Norway, Kiruna, Sweden and Sodankyla in Finland, most notably through the Eiscat (European Incoherent Scatter Scientific Association) project, which conducts research on the upper atmosphere, the ionosphere and aurora using the technique of incoherent scatter radar.

The real expansion of activities at Esrange has come since 1978 with its development as a ground station for satellites. Its location makes it ideally suited as a control station or base for transmitting to and receiving data from satellites in polar orbit. The majority of the passages of polar orbiting satellites come within the coverage zone of Esrange. "You get access to almost all the trajectories of a satellite at Kiruna," Mr Helger says.

The number of satellite programmes in which Esrange is involved is growing rapidly. For the US Landsat remote sensing satellite Kiruna acts as a location for both data reception and processing, while for the French Spot remote sensing satellite it carries out both data reception and satellite control.

Remote sensing data are used to both monitor and map earth resources. Specific crops, trees, soils and so on can be identified by their so-called "spectral signature" which is unique for every object. Esrange has a contract for receiving data for the Japanese Exos-C scientific satellite which is studying the ozone layer, and from 1987 it will also be carrying out satellite control for the Japanese Mos-1 maritime observation satellite, which will be used for charting ocean resources.

Much of Esrange's work is carried out for the European Space Agency (ESA) — its forerunner started the Esrange facilities in the 1960s—and work has recently begun on a SKr 200m investment project to build a completely new ground station for the ERS-1, the agency's remote sensing satellite to be launched in 1989. Esrange will again be responsible for data reception, processing and control.

Earlier this year Esrange began operational work for its first Swedish satellite customer, when the country's Viking scientific satellite, Sweden's first satellite, was launched by an Ariane rocket from French Guyana into polar orbit. It will also handle the satellite control operations for the Tele-X, the Nordic countries' joint telecommunications and broadcasting satellite, due to be launched in 1987.

As part of the future development of Esrange Sweden is now pushing for the site to be developed as a more fully-fledged rocket range for launching small satellites in the range of 500-1000 kilogrammes.

The number of people directly employed in the space industry around Kiruna is presently some 200, but Mr Lars Essling, deputy leader of the Kiruna municipality, believes that figure will grow to 300-350 over the next four to five years. "We think that is just the beginning."

The municipality has been investing much time and money in establishing space education and training resources in Kiruna, and the region is now beginning to lobby hard to make Kiruna an important component in a so-called "space university" which would bring together teaching and research facilities at various institutions around the country with the practical operational facilities that are starting to take root in the Arctic.

Kevin Done

Norway and the Soviet Union both maintain a strategic presence in this remote archipelago

Svalbard: mining acts as a monitoring aid

SVALBARD, the Norwegian archipelago in the High Arctic, is the only place in the world where there is a Soviet community on Western soil.

For several decades the Norwegians and Russians have mined coal on Spitsbergen, the main Svalbard island. For both sides the operations run at a considerable loss, but it is a cost both are prepared to bear in order to maintain a permanent presence in the archipelago.

The strategic importance of the Arctic has grown rapidly, not least with the development of the Kola Peninsula by the Soviet Union into the world's most powerful military base.

Under the terms of the 1920 Svalbard Treaty, under which sovereignty over the islands was given to Norway, Svalbard was virtually made into a demilitarised zone. Norway is not allowed to establish naval bases or fortifications on the islands, and cannot use the archipelago for "war-like purposes."

At the same time it has to allow nationals from all the signatory states—there are currently 41—to undertake various commercial operations on the islands on a non-discriminatory basis, chiefly exploring for and exploiting coal, minerals and more recently petroleum resources.

American, Russian, British, Norwegian, Dutch and Swedish companies have all tried to make a go of coal mining on Spitsbergen. But only the Norwegians and the Russians have stuck it out, chiefly as a means of holding each other in check and monitoring what is going on in the High Arctic.

At 63,000 square kms, Svalbard is the size of the Netherlands and Belgium combined, but has a population of only 3,480. It is only 1,300 kms from the North Pole itself with four months of unrelieved winter darkness and four months of unbroken summer daylight.

The Russians and the Norwegians each produce about 500,000 tonnes of coal a year from the world's most northerly mines, but the Russians maintain a population virtually double the Norwegian. They are also much more self-sufficient and have even bravely established a farm with dairy cows, pigs and chickens at 78 degrees north, the same latitudes as the Northernmost part of Greenland and 1,000 kms beyond the north coast of Alaska.

The mining communities are totally isolated from each other. There are no roads on the islands apart from locally within the mining communities, and the Soviet settlements of Barentsburg and Pyramiden lead a separate existence with supply lines and communications directly to the Soviet Union rather than to the Norwegian mainland.

Barentsburg and Pyramiden, with a population of 2,200, even follow Moscow time, while Longyearbyen, the Norwegian administrative centre, and the small mining settlement of Svea is two hours behind, following Oslo time.

Norwegian sovereignty, earlier more theory than practice, has been bolstered in the past 10 years by conscious moves from the Norwegian Government to strengthen its presence, and increasing resources have been put at the disposal of the local governor.

From only NKr 3m in 1971 the special Svalbard budget had swollen to NKr 73m this year. Of this more than half, or NKr 41.5m is a direct subsidy from the state budget. In addition another NKr 186m is paid out by different ministry budgets in support for activities on Svalbard, most importantly NKr 140m to Store Norske Spitsbergen Kulkompani, the loss-making state-owned coal company, which operates the Norwegian mines on Svalbard and runs many of the local services.

"From the mid-1970s there was a change of policy to make administration a reality," says Mr Lars Eldring, who returned to Svalbard in the summer for a second period as Governor following an earlier term from 1974 to 1978. "It was realised in Oslo that we could lose our grip on Spitsbergen, the local governor had no means of finding out what was happening."

In 1976 the Governor was given a helicopter and was able to institute a weekly visit to the Soviet community of Barentsburg. While the Norwegians do little to interfere in the daily life of the Soviet settlements, they are taking increasing steps to enforce tougher measures to protect the vulnerable High Arctic environment, and the local commissioner of mines exercises his right to inspect the Russian mining installations.

Coal mining started on Spitsbergen during the first years of this century. The first person to bring a cargo of coal from Svalbard to Norway was the Polar skipper, Soren Zachariassen, from Tromso in 1899. But the first company to establish permanent operations was the US Arctic Coal Company, formed in Boston in 1906 by John Munro Longyear. He gave his name to the main Norwegian settlement, Longyearbyen. The US company operated from 1910 to 1916, until it was taken over by Store Norske.

Mountains and frozen sea in southern Svalbard, high in the Arctic

The Russians appeared on the scene in 1932 when Trust Arktikugol, the Soviet mining company, bought the Dutch mining operation at Barentsburg, which Netherlands interests had operated from 1921 to 1926.

Store Norske is Norway's only coal company. With a workforce of 700 it employs directly close to 60 per cent of the Norwegian population on Svalbard. It is much more than just a mining company, and given Svalbard's isolation in the High Arctic it has to provide most of the local infrastructure. It looks after the electricity supplies, the upkeep of roads and lighting, water and heating supplies, waste collection and sewage.

It manages the cinema—two showings a week—it sells alcohol—in accordance with a local rationing system—it supplies food, it builds houses, runs the bus service and provides accommodation for visitors. There is no hotel on Spitsbergen. Until the state started to carry part of the burden in recent years, it also ran the hospital, the school, the local telephone exchange and air transport.

"Store Norske is a complex society," says Mr Ingvald Ohm, managing director, who himself worked as a miner at the coal-face on Spitsbergen in the late 1940s. "We have more than one product. We don't only produce coal, but also all the community services. That is a service for our country worth at least NKr 50m a year.

"If you let Store Norske go bankrupt today, you would have to ask tomorrow, 'Who would run the society?' You would never pay for that at under NKr 50m."

Under more conventional accounting methods Store Norske continues to run at a heavy deficit. "We lose about NKr 100m a year," says Mr Ohm. "If we get NKr 460 per tonne for our coal, we actually need NKr 660." The company has budgeted for a loss of NKr 104m in 1986.

Turnover last year reached NKr 276m, while production rose to a record level of 507,000 tonnes from three mines, two in Longyearbyen and one in Svea. The company is planning for annual production of 510,000 tonnes through the rest of the 1980s.

Svea is the Norwegians' second mining settlement with a population of less than 100, but it is here that close to 60 per cent of Store Norske's proven and probable reserves of 28m tonnes are located, and production is due to rise sharply to 180,000 to 200,000 tonnes a year by 1987.

At Longyearbyen, Store Norske is still mining seams that are only 60 to 90 cm thick, but at Svea it has found new reserves in part with seams up to five metres thick, which will allow a far greater degree of mechanisation in the mining operations.

The coal seams on Spitsbergen lie like layers in a cake in the mountains and the mines burrow horizontally into the permafrost of the mountainsides rather than deep underground in shafts. The problems of mining in permanently frozen ground involve chiefly the dust. The air in the mines is very dry, often water cannot be used for reducing the dust, it would only freeze, and the coal dust can be highly explosive in big concentrations.

The conditions are tough and there is a turnover of at least 30 per cent of the workforce each year, despite the financial rewards, which include income tax at only 4 per cent—plus 9.9 per cent social security.

The main markets for the Norwegians' Arctic coal are the cement, steel and ferro-alloy industries in mainland Norway, but the company also has important markets in West Germany and Sweden. It is finding it increasingly difficult to sell in the Federal Republic, however, in the face of tough competition chiefly from Australia and South Africa.

With such heavy costs involved in keeping the society running on Svalbard, coal production is hardly likely to be cut back. However, there are no alternative occupations and the coal mining at least helps defray some of the expenses of maintaining Norway's strategic presence in the sensitive High Arctic.

Kevin Done

Chernobyl threat to Lapp culture

SCANDINAVIAN authorities admit that they are at a loss to know how to halt the possible disintegration of the semi-nomadic Lapp, or Sami, culture following the contamination of reindeer herds with fall-out from the Chernobyl nuclear accident.

Abnormal levels of caesium isotopes found in lichen, the principal food for reindeer, have forced Norwegian and Swedish officials to order the slaughter and burial of 180,000 animals during the next five years—well over a third of all the reindeer in Scandinavia

"Government compensation, however, generous, is only a short-term answer," says Mr Odd Arnesen, director of reindeer husbandry at the Norwegian Veterinary Service.

"Money cannot provide reindeer and without reindeer cultural damage is inevitable. For the moment, we really cannot see a solution."

Only about 2,000 of the 45,000 Sami are still directly involved with reindeer husbandry. Yet reindeer herding remains the linchpin of the Sami culture, a cohesive element which binds families together and protects them from outside influences. It is also fundamental to the preservation of the language.

At least 25 per cent of the Sami vocabulary describes the physical condition, age, colour and shape of reindeer, the size of their antlers, the quality of their fur and the various implements and customs associated with the herds and their annual migration.

The significance of the decision to slaughter the contaminated animals is all the greater when seen against the pressures of gradual, and apparently irreversible absorption of the Sami into the more dominant Nordic cultures.

Despite generous contributions to Sami cultural funds, improved language courses and more Sami newspapers and radio broadcasts, a study in Sweden shows that five per cent of the reindeer herders and their families have no knowledge of their own language. Another 20 per cent cannot speak it, 45 per cent cannot read it, and 80 per cent cannot write it.

Among Sami who do *not* herd reindeer, the figures are even more alarming: 20 per cent have no knowledge of the language, 40 per cent cannot speak it, 65 per cent cannot read it and 80 per cent cannot write it.

This decline can be linked directly to the pressures on reindeer grazing land.

The semi-nomadic herdsmen have lived in Samiland (Lapland) since the time of Christ, probably after migrating from Central Europe, inter-marrying the ancient Finns and adopting their language.

They settled in a wilderness stretching from the Kola Peninsula in the Soviet Union, across the top of Europe and down through the national boundaries of Finland, Sweden and northern Norway as far south as Trondheim on the Norwegian coast.

For centuries, they followed the reindeer migration routes from the partially-forested tundra, where the animals feed on lichen in winter, to the Norwegian coast and mosquito-free fells in summer.

A Lapp reindeer herdsman on his snowmobile

But inevitably, the rich natural resources of Samiland attracted industrialists from the paper and pulp, furniture and Swedish match industries. Geologists discovered the vast iron ore deposits at Kiruna, in Swedish Samiland.

Forest felling, power lines, new roads and airports have drastically reduced the reindeer grazing lands and, more importantly, the calving grounds. Military authorities requisitioned land for training zones and artillery ranges; hydro-electric schemes have flooded valleys, re-routed rivers and disrupted reindeer migration routes.

Industry provided highly-paid jobs, accelerated Nordic settlement and spawned the process of assimilation. The Sami have become a minority in their own territory, and trapped in a vicious economic cycle.

Industrial expansion increased the difficulties and reduced the potential for reindeer husbandry, yet at the same time it has provided secondary jobs which have enabled the Sami to continue herding in a modern world.

To be economically viable, a herd must consist of about 350 animals. Today, the Sami use light aircraft, radios and snowmobiles to keep track of their animals—progress which virtually prohibits women and children accompanying the men during the migrations, and contributes to the breakdown of the culture.

Modern methods have often brought economic hardship. A snowmobile — which has replaced dog sleds as transport — costs the equivalent of one-and-a-quarter reindeer, but because the intense cold splits vinyl seat coverings, plays havoc with batteries and causes metal to snap, it seldom lasts more than two winters, after which it is traded in for approximately 6 per cent of a reindeer's value.

During this time the snowmobile owner will use some 350 gallons of fuel a season, wear out four drive belts and have to pay for numerous spare parts. In some communities, the cost of maintenance and fuel for snowmobiles can be as much as 90 per cent of the total income from reindeer husbandry.

Most snowmobiles are Japanese. Realising that the Sami can afford neither the money nor the time to travel south to the larger towns, Japanese salesmen sometimes load their snowmobiles on to trucks, drive north and sell directly to the customer.

The high cost of modern husbandry has led to an increase in the slaughter rate, particularly for calves, saturating the meat market and forcing down prices and profit margins.

Further anxiety among Sami leaders stems from future hydro-electric projects and plans to lay a pipeline through Samiland to take natural gas to West Germany.

This threat is considered so great that many Sami predict that if the plans are realised, reindeer husbandry in the wild could be extinct within 15 years.

If that happens, the Sami culture is doomed. Meanwhile, the agonising, but necessary decision to slaughter radioactive reindeer — almost the entire stock in central Samiland —can only worsen the Sami's problems.

Sam Hall

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
§115	F.P.	—	122	121	‡Berry, Birch 10p	122	+1	R2.5	2.2	4.9	15.1
§100	F.P	—	109	102	‡Citygrove 10p	102	......	R2.5	2.7	3.5	14.8
§130	F.P.	17/10	198	152	‡Creighton Labs 20p	195	......	U3.7	2.2	2.7	23.6
160	F.P.	24/10	146	123	Euro Home Products 5p	142	......	R4.25	2.5	4.2	10.9
§105	F.P.	16/10	112	103	‡Eve Construction	104	−1	u4.5	3.2	6.1	7.3
§135	F.P.	24/10	166	145	‡Great Southern 10p	155	−3	R5.2	2.2	4.7	13.9
	F.P.	—	28	27	Group Development	27	......	—	—	—	—
185	F.P.	7/11	208	188	‡Interlink Express 5p	205	......	R3.5	3.2	2.4	18.6
§135	F.P.	24/10	245	145	‡Local London Group 5p	225	−20	W5.0	1.8	3.1	25.3
110	F.P.	5/11	126	119	Marlboro'gh Tech Man 5p	126	+1	R2.70	3.1	3.0	12.7
§105	F.P.	24/10	162	133	‡Miller & Santhouse 5p	162	......	u2.25	2.4	2.0	30.3
—	F.P.	—	31	27	New Australia Inv Wrrts	31	......	—	—	—	—
‖75	F.P.	24/10	79	73	‡Newage Trans 5p	75	......	R3.5	2.5	6.6	8.5
§25	F.P.	22/10	26½	25½	Nth of Scotland Inv 10p	26½	......	—	—	—	—
§90	F.P.	24/10	90	88	‡Radamec Group 5p	90	......	R1.28	5.7	2.0	12.3
§95	F.P.	—	97	96	‡Rotunda 10p	96	......	R30.3	2.8	4.4	11.6
¶110	F.P.	24/10	108	102	‡Ryman 5p	102	......	L1.5	3.2	2.1	17.1
135	F.P.	24/10	164	151	Sandell Perkins 10p	164	......	a3.8	2.9	3.3	15.1
100	50	14/11	102	81½	TSB	82½	+1	W4.26	3.1	4.5	10.1
‖‖	F.P.	—	385	320	‡Utd. Trust & Credit £1	320	−8	u14.0	2.1	6.2	11.1
§160	F.P.	5/12	179	170	‡Whitney Mackay 10p	170	−2	R4.0	3.0	3.3	14.0
125	F.P.	10/10	156	136	Yorkshire TV	152	......	R6.25	2.4	5.8	10.3

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or −
‖	Nil	13/11	1½pm	½pm	Cóntech Finance 11½% Cnv. Uns. Ln. 1996	1pm	......
§100	£10	8/1	12½	11	East Worcs. Water 12½% Red Deb 94-96	11¼	+¼
§100	£10	29/1	10¾	9½	Essex Water 11¼% Red. Deb. 2002-04	10¾	+¼
¶101.41	£10	26/2	11¼	11½	do 8⅝% Red. Pf 1993	11½	......
‖	Nil	14/11	9ppm	6ppm	‡Goodhead Print 7% Cnv. Red. Prf	8ppm	......
§100	£10	15/5	9½	2	Mid-Sussex Water 11% Red Deb2012-16	4	......
¶99.937	£25	24/10	25¾	22¼	Nationwide 3⅞% IL Ln. 2021	23¾	......
—	F.P.	—	100⅛	98⅝	Do 10⅛% 21/9/87	98⅝	......
—	F.P.	—	100	100	Do 11¾% 26/10/87	100	......
¶101.87	£10	22/1	11¾	11½	Portsmouth Wtr. 8¾% Red. Pf 1996	11½	......
96.645	£25	8/1	24½	17	Scot. Met. Prop. 10⅛% 1stMort.Deb.2016	18¼	+¼
—	F.P.	—	116p	104p	Scot. & Newcastle 7% Conv. Pref. £1	111p	−2
¶102.25	£10	8/1	11¼	11½	Tendring Hundred Wtr 8¾% Rd. Pf 1996	11½	......
¶¶	F.P.	24/10	122p	115p	WCRS 5½% Cnv. Cum. Red. Pref. 1999	116p	+1
¶¶	F.P.	—	95p	92½p	Walker (C & W) 6½pc Cnv Cum Red Pref	95p	......
¶¶	F.P.	—	104p	100p	Williams Hldgs 5¼% Cum Cnv Prf	100p	−2

"RIGHTS" OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −
140	Nil	25/11	24pm	18pm	Banro Inds. 20p	18pm	−2
180	Nil	5/12	9pm	2pm	Beazer (C.H.) 10p	2pm	−½
137	Nil	—	18pm	18pm	Bellway	18pm	......
20½	Nil	—	2¼pm	1¾pm	‡Bennett & Fountain 10p	1¾pm	......
90	Nil	12/12	10pm	7pm	Bryant Hldgs.	7pm	−1
71	Nil	24/11	6pm	3pm	Burns Anderson 10p	3pm	......
$1.80	Nil	26/11	12½pm	4pm	E.R.I.C.	5pm	......
85	Nil	5/12	1½pm	1pm	Lawrence (W)	1pm	......
30	Nil	25/11	9pm	1pm	Leisuretime Intl.	1pm	......
18½	Nil	19/12	1½pm	1pm	Norfolk Cap 5p.	1pm	−½
160	Nil	10/12	58pm	32pm	Parrish (J.T.) 5p	58pm	......
5	Nil	21/11	1pm	½pm	Platignum 5p	1pm	......
50	Nil	19/11	7pm	5pm	Thurgar Bardex 10p	6½pm	−½
140	Nil	13/11	36pm	13pm	Tilbury Group	36pm	+11

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures t Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▮ Allotment price. ‡ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement.

Company Notices

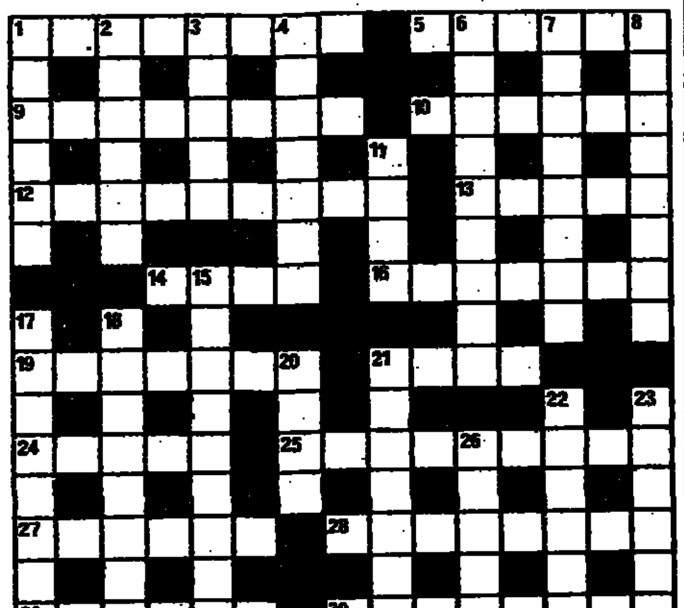
Legal Notices

INSOLVENCY ACT 1985
Section 4 & 5
AUTHORISATION OF INSOLVENCY PRACTITIONERS

TAKE NOTE THAT I David James Elliot of City Square House, 7 Wellington Street, Leeds LS1 4DW intend to apply to the Secretary of State under the provisions of the above Act for authorisation to act as an Insolvency Practitioner. Any person having reason to believe that such authorisation should not be granted should, within 28 days of publication of this notice communicate such reason to the Department of Trade & Industry, Room 609, Companies House, 55 City Road, London, EC1Y.

FT CROSSWORD PUZZLE No. 6,157

PROTEUS



ACROSS

1 Dance-orchestra led by girl (8)
5 Small part taken by alien in legislative assembly (6)
9 False statement about live rodent being set free (8)
10 A great number for example swallowed by large cat (6)
12 He probably had many a brush with law-officer (9)
13 Raises hind-portions (5)
14 Friend taking tea in Paraguay (4)
16 Flower found by essayist at ball (7)
19 Beat hard at portion of defence-work (7)
21 Air-base, it is said (4)
24 Tricky enterprise for dwarf (5)
25 Force cheats to practise (9)
27 Covered a lot of ground and 'phoned editor (6)
28 He believes solely in the material aspect of a costing (8)
29 Mistakes made by a deserter over a long period (6)
30 Excursionists that move nimbly (8)

DOWN

1 It's a comfort to know sun has one (6)
2 Clear about embargo on strip of material (6)
3 Basque headgear soldier got in wager (5)
4 Distinguished though lacking in skill (7)
6 River crustacean the French regard accursed (9)
7 Message going to French acquaintance in friendly spirit (8)
8 Non-seafaring type settles on island (8)
11 Bargain in wood (4)
15 Flat section perhaps meant to go outside? (9)
17 Maintain closed-off area (8)
18 He is against child turning gun on queen (8)
20 Mattress-cover obtained on credit? (4)
21 He is in charge of one in crib (7)
22 Some felt sacriligious about fortress (6)
23 Puts into effect measure on stray cats (6)
26 Scouts finding nothing in harbour on return? (5)

Solution to Puzzle 6,156

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS & INSURANCES

Whittingdale Unit Trust Managers
2 Honey Lane, London EC2V 8BT 01-606 9085-6

Short Dtd Gilt Fd	68.0	69.1		
U.S. Govmnt Bond Fd	50.512	0.515		

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Combd & Equity Tst	48.5	51.7		7.59
Growth Trust	52.6	56.0		2.21
Income Trust	54.3	57.8		5.01

Wright Seligman Fund Managers Ltd
11 Blomfield St, London EC2M 7AY 01-588 0592

Growth Fund	70.2	73.7	-0.3	2.80

Weekly dealing day Tuesday

The Yorkshire General Trust
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

Y.G.T.	130.4	138.8		3.11

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)
PO Box 93 Cardiff CF1 4NW 0222 35542

AA Friendly Sy Oct 8		102.8		—

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Prop. Ser. 1	206.9	217.8	(z)	—
Equity Ser 1	101.9	107.3	(z)	—
Prop. Acc. Ser 2	278.5	293.3	(z)	—
Equity Ser 2	110.7	116.6	(z)	—
Selective Acc.	235.3	247.7	(z)	—
Prop. Ser. 4	220.3	231.9	(z)	—
Equity Ser. 4	113.9	119.9	(z)	—
Fixed Int. Ser. 4	173.7	182.9	(z)	—
Indexed Ins. Ser. 4	109.0	114.8	(z)	—
American Ser. 4	257.4	271.0	(z)	—
High Inc. Ser. 4	288.6	303.8	(z)	—
Japan Ser 4	232.0	244.3	(z)	—
Man. Ser. 4	346.6	364.9	(z)	—
Money Ser 4	196.7	207.1		—
European Ser 4	123.5	130.1		—

Pension Funds

[illegible]

City of Westminster Assurance—Contd.

Far East Fund	207.7	218.7	-2.5	
North American Fund	169.7	178.7	-1.5	
Natural Resources Fund	143.9	151.5	-2.4	
Pension Managed Fund	374.3	394.0	+0.9	
Pension Equity Fund	241.9	254.7	-0.7	
Adventurous Mngd Fd	119.9	125.1		
Balanced Mngd Fd	117.0	123.2		
Conservative Mngd Fd	110.7	116.6		
European Fund	108.2	113.9	+0.2	—
International Fund	116.1	122.3	+0.3	—
S.U.N. Flagship Fd	125.6	132.3	-0.2	—

For other prices please telephone 0908 606101/660888

Clerical Medical/Fidelity International
Narrow Plain, Bristol BS2 0JH 0272 290566

Investment Funds

Mixed	131.3	138.3	-0.5	—
Equity	149.1	157.0	+0.3	—
Property	109.8	115.6		—
Gilt & Fixed Interest	106.1	111.7	-0.8	—
Indexed Securities	97.2	102.4	+0.1	—
Cash	108.1	113.8		—
North American	108.0	113.7	-0.1	—
Far East	124.5	131.3	-3.6	—
International	124.6	131.2	-1.0	—
Special Situations	142.1	149.6	+0.2	—
International Income	140.1	147.5	+0.6	—
American Income	117.8	124.0	+0.1	—
European	149.0	156.9	-1.7	—

Flexible Retirement Plan

Mixed	134.4	141.5	-0.9	—
Equity	142.5	150.0	-0.1	—
Property	115.4	121.5		—
Gilt & Fixed Interest	112.1	118.1	+1.7	—
Indexed Linked	99.2	104.5	+0.4	—
Cash	116.1	122.3		—
North American	113.0	119.0	-0.1	—
Far East	138.0	145.3	-5.4	—
International	131.3	138.3	-1.7	—
Special Situations	158.9	167.3	+0.1	—
European	171.9	181.0	-2.6	—

Executive Investment Pension Plan
Prices on October 15. Unit dealings on Wednesday.

Cash Fd.	140.0	147.4		—
Mixed Fd.	188.5	198.5		—
Fixed Int. Fd.	140.5	148.0		—
UK Equity Fd.	218.5	230.1		—
Property Fd	134.1	141.2		—

[illegible]

INSURANCE, OVERSEAS & MONEY FUNDS

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg

World Fund NAV	$18.59		-0.16	—

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$16.23		-0.07	—

Inv. Adv.: M. & G. Inv. Mngt., Ltd, London

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	$16.33		-0.05	—
Dynamic Grth Fd	$18.58		-0.15	—

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268

Zero Bond Fund	$12.00	12.70	...	—

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
Charities Aid Fndtn Money Mngmt Co Ltd				
Staple Hall, Stone Ct, Houndsditch, EC3 01-283 6461				
Call Fund	9.97	7.45	10.93	3-mth
7-day Fund	10.52	7.86	11.54	3-mth
The Charities Deposit Fund				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Deposit	10.30 (10.70 cap)		...	3-Mth
The Money Market Trust				
63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fund	10.33	7.72	11.3	6mth
7-day Fnd	10.27	7.68	11.24	6mth
Oppenheimer Money Management Ltd				
66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	10.16	7.59	10.89	6-Mth
7-day Fund	9.38	7.01	10.04	6-Mth
Dollar	4.81	3.59	5.13	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc				
22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Chq Acc	10.25	7.50	10.86	Qtr
Aitken Hume				
30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	10.25	7.66	11.10	Qtr

NOTES

... capital gains tax on sales. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ⊕ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS:
3-month call rates

Industrials	p		p
Allied-Lyons	27	NEI	8
Amstrad	15	Nat West Bk.	48
BAT	35	P & O Dfd	45
BOC Grp.	28	Plessey	16
BSR	11	Polly Peck	16
BTR	26	Racal Elect	15
Babcock	16	RHM	24
Barclays	42	Rank Org Ord	45
Beecham	40	Reed Intnl	25
Blue Circle	55	STC	13
Boots	22	Sears	12
Bowaters	32	TI	40
Brit Aerospace	42	Tesco	36
Brit. Telecom	17	Thorn EMI	42
Burton Ord	26	Trust Houses	15
Cadburys	17	Turner Newall	18
Charter Cons	24	Unilever	140
Comm Union	28	Vickers	36
Courtaulds	26	Wellcome	17
FNFC	17	**Property**	
Gen Accident	75	Brit Land	16
Gen Electric	15	Land Secs	30
Glaxo	85	MEPC	32
Grand Met	40	Peachey	24
GUS 'A'	85	**Oils**	
Guardian	75	Brit. Oil & Min	$3\frac{1}{2}$
GKN	24	Brit Petroleum	50
Hanson Tst.	18	Burmah Oil	32
Hawker Sidd	42	Charterhall	4
ICI	75	Premier	$3\frac{1}{2}$
Jaguar	42	Shell	65
Ladbroke	32	Tricentrol	8
Legal & Gen	20	Ultramar	17
Lex Service	32	**Mines**	
Lloyds Bank	38	Cons Gold	62
Lucas Inds	46	Lonrho	22
Marks & Spencer	18	Rio T Zinc	62
Midland Bk	48		
Morgan Grenfell	26		

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Tin price climbs back above £4,000 a tonne

BY MAX WILKINSON, RESOURCES EDITOR

THE SPOT price of tin on the European free market broke through £4,000 yesterday for the first time in seven months.

Analysts believe that the recent rise in tin prices may prove to be part of a firmly based upward trend since it reflects a substantial excess of demand over production. However, it seems likely that the tin price will be subject to considerable swings since the market continues to be overhung by a large stockpile.

A high proportion of the estimated 80,000 tonnes of stocks is now held by banks, and brokers, which became unwilling owners of the stocks after the collapse of the International Tin Council last year in an avalanche of bad debts. The tin price fell from its last forward fixing on the London Metal Exchange of £8,140 per tonne in October 1985 to a 10-year low of £3,400 in mid March this year.

Yesterday's spot price in Europe of £4,000 to £4,030 up from £3,950 to £3,990 on Monday. The price has risen by about £200 since the start of the month, in line with a similar upward movement in the market in Kuala Lumpur, Malaysia. The rise in price is said to reflect the fact that strong demand from industrial sources has recently met with a reluctance to sell by the Tin Council's creditor banks and brokers.

The present trend in prices is therefore strongly influenced by the extent to which each financial institution believes the time is ripe to cut losses and sell stocks or prefers to hang on in the hope of a further improvement in the market.

According to one analyst world output is now running at some 30,000 tonnes a year below consumption which is expected to be about 150,000 to 160,000 tonnes next year. As a result of the sharp cut in production, stocks have fallen from about 110,000 tonens a year ago to the present 80,000 tonnes.

The collapse of prices after trading was suspended on the LME led to a cutback in Malaysian production of about 25 per cent from the 40,000 tonnes a year before the crisis. In Bolivia output is estimated to have been cut from about 20,000 tonnes to only about 6,000 tonnes at present.

As a result of these and other cuts, traders are beginning to see a firm prospect that stocks will fall to manageable levels. Although this may take a year or more, the forces at work appear sufficiently strong to support the price now.

One broker suggested that stocks could be down to 30,000 tonnes in a year's time, at current levels of production. Holders of stocks would then have a strong incentive to hold back from the market until the price of tin had risen more nearly to a level which would cause tin-producers to reopen some of the higher cost production which is now shut down.

The price which would create an equilibrium between supply and demand in the absence of excessive stocks is estimated by some analysts to be above £6,000 per tonne, and perhaps as much as £6,500. For this reason a movement to between £4,000 and £5,000 in the medium term is being predicted by traders.

● AUSTRALIA'S BROKEN Hill mining companies and trade unions have agreed to extend by one week a three-month interim working agreement worked out following an eight-week strike in the summer and due to expire last night, reports Reuter from Sydney.

The company said ore production at the lead, zinc and silver units would not be interrupted.

Further negotiations on changes in work practices sought by the companies (CRA and Broken Hill Holdings) will be held on Friday.

West Germany drawing up proposal for dairy cuts

BY TIM DICKSON IN BRUSSELS

NEW PROPOSALS to curb EEC milk output by paying farmers to cut back their production are currently being drawn up by the West Germany Government.

The plan is likely to be ready in the next couple of weeks and will certainly be discussed, along with other possible emergency measures in the dairy sector at the next meeting of EEC Farm Ministers in November.

The ideas are significant not so much because of the support they are attracting — only Ireland has expressed strong interest at this stage — but because Germany is proving to be the member-state most reluctant to agree to the European Commission's urgent suggestions for reform. Mr Ignaz Kiechle, the West German Farm Minister, has consistently made clear that he is not prepared to see a fall in his country's farm incomes — a stance which many people see dictated by impending elections at the start of next year.

Anything which Bonn considers acceptable is thus likely to be taken seriously in Brussels.

The ideas being discussed are understood to be very similar to proposals for a "temporary non-utilisation of milk quotas" put forward by the German Farmers' Union (DRV) earlier in the summer. The main difference is that whilst the unions argued that participation should be voluntary, Mr Kiechle's officials are suggesting that such a scheme ought to be compulsory.

Under the DBV plan dairy producers would commit themselves not to use at least 20 per cent of their quota for a minimum period of two years. The amount of the compensation would be based on the profit foregone by the dairy producer as a result of the non-utilisation of the quota on the one hand, and on savings made by the Community in relation to the costs of disposing of surpluses on the other.

One key attraction of the scheme according to the Germans, is that a higher proportion of Community support could actually be passed on to farmers as the high burden of storage costs — in the case of butter Ecus 350 per tonne per year — were cut out.

Whilst the Commission is keeping an open mind at this stage officials are doubtful whether the German plan could achieve the sort of drastic cutbacks in agriculture spending which the Farm Commissioner, Mr Frans Andriessen, is currently seeking. They also wonder whether such a system could be adequately monitored.

Mr Andriessen, however, needs all the ideas he can get with butter stocks now a record 1.5m tonnes, skimmed milk powder continuing to pour into intervention, and little sign of serious interest from overseas buyers.

The Commission's proposals for closing a major loophole in the system of milk quotas, suspending "intervention" buying of skimmed milk powder during the winter months, and taking the powers to suspend butter and SMP purchases at other times, encountered strong opposition from member states at this month's Farm Ministers meeting, although so far Mr Andriessen shows little willingness to modify them or take on board other ideas. The continuing obstructiveness of certain member states, however, may well force him to settle for a less ambitious set of reforms come November, before proposing a straight cut in milk quotas in next year's farm price package.

Better times for Zambian farmers

BY VICTOR MALLET IN LUSAKA

THE RAINS have come early to Zambia this year, soaking thousands of bags of harvested maize before they could be covered with tarpaulins or taken into storage from farms in remote rural areas. Zambians are familiar with such disheartening setbacks, the result of an acute shortage of transport as well as poor management and communications. But the bad news about the rain cannot completely overshadow the fact that this increasingly poor southern African country has produced bumper crops this year and is fast approaching self-sufficiency in basic foods. Like neighbouring Zimbabwe and Malawi before it, Zambia is likely to be faced with a new kind of African headache—how to deal with grain surpluses rather than shortages.

Zambia's agricultural revival, encouraged by the end of a drought, owes much to western-inspired economic reforms. Prices paid to the country's long-neglected farmers are being steadily increased and subsidies which benefit politically powerful city dwellers are being reduced—a move described by one banker in Lusaka as "a political hot potato."

At a time when the copper and cobalt mines, which earn about 95 per cent of Zambia's foreign exchange, are approaching the end of their productive life and industry is stagnating for want of imported inputs, Zambia has turned to agriculture as its great hope for the 21st century. The former British colony of northern Rhodesia contains vast tracts of sparsely populated, unused land, plenty of water for irrigation and abundant manpower, although it is proving difficult to persuade people to leave the cities for the countryside.

Landlocked Zambia's long trade routes to the sea and its transport problems make substantial exports of maize or wheat to already saturated world markets an unlikely proposition. High-value cash crops which thrive in the tropics are another matter and farmers are showing increasing interest in tobacco, coffee and cotton. One farm near Lusaka is already exporting strawberries and vegetables to Europe by air.

Zambia's staple maize crop this year is estimated at 1.1m tonnes, but as is often the case in Africa there are a series of pitfalls to be avoided before the maize meal reaches the consumer. Losses after the harvest because of poor handling are often very high—as much as 25 per cent in some areas—and a further 10 to 15 per cent of the crop is traditionally smuggled to Malawi and Zaire, where prices are higher and payment is made promptly in cash.

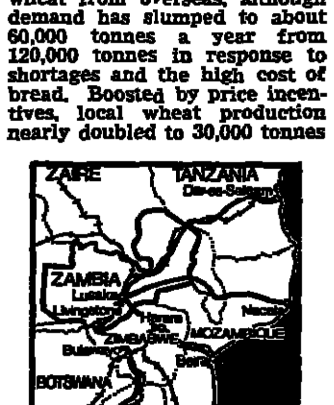
Nevertheless the country should have enough maize to feed itself this year and is going to start building up a planned strategic stockpile of 225,000 tonnes. Farmers are already eyeing the market in the copperbelt of southern Zaire for substantial legal exports of surplus maize in the years ahead. The reduction of Zambian subsidies makes smuggling of crops and fertiliser to neighbouring countries a less profitable exercise.

The Zambian farmers, looking into the uncertain future, are following events in Zimbabwe with considerable interest. There the commercial farmers are outraged by the Government's sudden announcement last month that major commercial farms would this year receive the guaranteed price of $108 per tonne of maize only for amounts up to half of this year's deliveries. For the rest they will get $60 a tonne.

Zimbabwean stocks total about 2m tonnes, enough to meet domestic consumption for two years, but farmers who had already bought seeds and fertiliser and prepared fields for planting in the coming rainy season, are bitter about the short notice.

Zambia has not yet reached the stage of Zimbabwe's too-successful grain production, but farmers are aware of the long-term dangers. "We must go in for high-value cash crops — tobacco, asparagus, strawberries," says one commercial farmer outside Lusaka. "Everyone has been calculating on shortages in Zambia. No-one thought about marketing grain surpluses. The most inefficient thing in Zambia is transport. That's why I always say 'Never export large quantities of maize.'"

Along with other African countries caught in the wheat trap — in which consumers acquire a taste for bread made from imported wheat in preference to traditional food made from locally-grown grains — Zambia has had to bring in wheat from overseas, although demand has slumped to about 60,000 tonnes a year from 120,000 tonnes in response to shortages and the high cost of bread. Boosted by price incentives, local wheat production nearly doubled to 30,000 tonnes



this year and now the farmers are protesting against what they regard as excessive aid shipments. The US alone is sending 45,000 tonnes this year, but US officials say they are aware of the problem of undermining local agriculture and will adjust their future programmes accordingly.

In the short term Zambia's most pressing agricultural problem is its marketing system. The process is in some disarray. Government departments are grappling with unfamiliar new economic policies and an acute shortage of cash with which to pay producers. Under the recent reforms the National Agricultural Marketing Board (Namboard) has relinquished its monopoly of grain purchasing and anybody can buy maize from a farmer at the legal minimum price, currently Kwacha 55 (£4.20) per 90 kg bag. Namboard, introducing the subsidy, has been selling it to millers for Kwacha 35 a bag, which allows unscrupulous millers to sell the same maize back to Namboard for a quick profit without milling it. To prevent such abuses, it was decreed that millers would have to buy maize at Kwacha 55 per bag and then reclaim the subsidy, but millers, understandably fearing late payment, howled in protest and the change has been suspended.

Next year the producer price of a bag of maize rises to Kwacha 78, a rise of over 40 per cent which is eroded, however, by inflation and the reduction of the fertiliser subsidy.

With demand for grain unlikely to show a sudden increase commercial farmers are turning their attention to cash crops such as coffee. It is hoped that coffee exports, 600 tonnes this year, will rise to about 6,000 tonnes in the next five years or so.

Even a country with Zambia's assets—unused land, water and cheap hydro-electricity—has serious obstacles to overcome. Land available for farming is often communally owned and therefore difficult to buy for commercial farming. Managerial and bureaucratic skills are scarce. Road and rail transport within the country and to the port of Dar es Salaam in Tanzania is unreliable, while the more efficient southern route is threatened by economic sanctions against South Africa.

But at least farmers are receiving higher prices and can buy the spare parts and other inputs they need through the year-old foreign currency auction introduced as part of the economic reform package. "Recently there have been better rains," says the UN Food and Agriculture Organisation's representative Sheikh Wadda. "There has been better organisation. There have been a lot of inputs. People are beginning to see that the only way out of their present predicament will be to intensify agricultural production. It has a potential and the Government has awakened to the reality."

Bank plans clearing house for Brent oil

By Lucy Kellaway

AN ATTEMPT to protect the Brent crude market from the sort of default and confusion which accompanied the sharp fall in oil prices earlier this year is being made by the First National Bank of Chicago.

The bank is planning to set up a "clearing centre" which would process transactions in the Brent market, monitor companies' exposure, look after the collateral put up against trades, and act as a money transfer centre for settlement of deals.

Mr Ken Wilks of First Chicago said yesterday that most of the major oil companies had been consulted about the scheme and had responded favourably. Further discussions are being held with the industry in London next week.

The centre would act as an independent recorder of transactions that would add control to the market without interfering with the way it works, Mr Wilks said. First Chicago has been working on the project for the last four or five months. If it gains acceptance from the industry it might take about six months to set up.

Following the collapse in oil prices in February, trading in Brent dried up altogether. However, since then liquidity has gradually returned to the market, which has withstood the latest swings in the oil price apparently without upset.

WEEKLY METALS

All prices as supplied by Metal Bulletin.

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse, 2,550-2,700.

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.35-2.55.

CADMIUM: European free market, min. 99.95 per cent, $ per lb, in warehouse, ingots, 0.95-1.00, sticks, 0.95-1.00.

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 5.10-5.50.

MERCURY: European free market, min. 99.99 per cent, $ per flask, in warehouse, 140-165.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.18-3.22.

SELENIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 5.25-5.60.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit WO_3, cif, 31-42.

VANADIUM: European free market, min. 98 per cent V_2O_5 other sources, $ per lb V_2O_5, cif, 2.47-2.54.

URANIUM: Nuexco exchange value, $ per lb U_3O_8, 17.00.

LONDON MARKETS

COFFEE futures prices bounced up again yesterday after falling for two successive trading days—the nearest the market has come to a sustained move for some time. The January position, which had fallen £10 last Friday and £79.50 on Monday, recouped £26 to £2,199 a tonne. Dealers said the rise was due to an accumulation of covering against short positions prompted by reports of fresh buying by the trade. Cocoa futures fell back meanwhile, depressed by sterling's renewed firmness against the dollar and a lower tendency in the New York market. The March position declined by £22.50 to £1,530.50 a tonne. On the London Metal Exchange news that the strike of lead and zinc miners at Australia's Broken Hill was not being resumed although the interim working agreement between management and unions had expired tended to push prices for the two metals lower. Cash lead ended £1.25 down at £306.50 a tonne, while cash zinc fell £7 to £612.50 a tonne. LME prices supplied by Amalgamated Metal Trading.

INDICES

REUTERS

Oct. 20	Oct. 17	M'th ago	Year ago
1568.3	1582.0	1509.9	1697.4

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Oct 20	Oct 17	M'th ago	Year ago
Spot	122.27	121.67	—	116.01
Fut	121.39	121.35	—	118.66

(Base: December 31 1931=100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Oct. 21 1986	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1280/1300	+15	$1245/665
Copper			
Cash Grade A	£927.5	—3	£929
3 mths	£951.75	—3	£951.25
Gold Troy oz	$425.25	—1.625	$433
Lead Cash	£306.5	—1.25	£277.25
3 mths	£305.5	—1.25	£281.37
Nickel			
Free Mkt	165/175c		169/188c
Palladium oz	$137.25	+1.75	$144.00
Platinum oz	$600.00	+23	$613.00
Quicksilver†	$150/170		$120/150
Silver troy oz	403.40p	+15.35	411.90p
3 mths	[illegible]	[illegible]	421.95p
Tin	[illegible]	[illegible]	£5760/80
Tungsten	[illegible]	[illegible]	[illegible]
Wolfram	[illegible]	[illegible]	[illegible]
Zinc	[illegible]	[illegible]	[illegible]
3 mths	[illegible]	[illegible]	[illegible]
Producers	[illegible]	[illegible]	[illegible]
OILS			
Coconut (Phil)	[illegible]	[illegible]	[illegible]
Palm Malayan	[illegible]	[illegible]	[illegible]
Copra (Phil)	[illegible]	[illegible]	[illegible]
Soyabean (U.S.)	[illegible]	[illegible]	[illegible]
GRAINS			
Barley Fut. Jan	[illegible]	[illegible]	[illegible]
Maize	[illegible]	[illegible]	[illegible]
Wheat Fut. Jan	[illegible]	[illegible]	[illegible]
No.2 Hard Wint.	[illegible]	[illegible]	[illegible]
OTHERS			
Cocoa Ft. Mar	[illegible]	[illegible]	[illegible]
Coffee Ft. Jan	[illegible]	[illegible]	[illegible]
Cotton A.Index	[illegible]	[illegible]	[illegible]
Gas Oil Dec.	[illegible]	[illegible]	[illegible]
Rubber (kilo)	[illegible]	[illegible]	[illegible]
Sugar (raw)	[illegible]	[illegible]	[illegible]
Woolltops 64s	[illegible]	[illegible]	[illegible]

†† Unquoted. † Per 75 lb flask. c Cents a pound. * Cotton outlook. y Nov-Dec. w Oct-Nov. y Dec. x Jan-Feb. z Dec-Jan.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	[illegible]	[illegible]	[illegible]
3 months	[illegible]	[illegible]	[illegible]

Official closing (am): [illegible]

COPPER

Grade A	Unofficial close	+ or —	High/Low
Cash	[illegible]	[illegible]	[illegible]
3 months	[illegible]	[illegible]	[illegible]

Standard			
Cash	[illegible]	[illegible]	[illegible]
3 months	[illegible]	[illegible]	[illegible]

Official closing (am): [illegible]

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	[illegible]	[illegible]	[illegible]
3 months	[illegible]	[illegible]	[illegible]

Official closing (am): [illegible]

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	[illegible]	[illegible]	[illegible]
3 months	[illegible]	[illegible]	[illegible]

Official closing (am): [illegible]

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	[illegible]	[illegible]	[illegible]
3 months	[illegible]	[illegible]	[illegible]

Official closing (am): [illegible]

GOLD

Gold fell $1¼ to $425-425½ on the London bullion market yesterday. [illegible]

GOLD BULLION (fine ounce) Oct. 21: [illegible]

GOLD AND PLATINUM COINS: [illegible]

SILVER

[illegible]

SILVER per troy oz	Bullion Fixing Price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	403.40p	+15.35	[illegible]	[illegible]
3 months	[illegible]	[illegible]	[illegible]	[illegible]
6 months	[illegible]	[illegible]	[illegible]	[illegible]
12 months	[illegible]	[illegible]	[illegible]	[illegible]

LME—Turnover: [illegible]

RUBBER

PHYSICALS—The London market opened slightly steadier, [illegible]

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. [illegible]

JUTE

JUTE—July/August 1986 c and f Dundee BTC $300, BWC $330; c and f Antwerp BTC $300, BWC $320, BWD $280, BTD $250.

COFFEE

Robusta prices firmed after an early sell-off, reports Drexel Burnham Lambert. For once physical business underpinned the rise in terminal values. A rally in New York ensured a steady tone for the afternoon session and prices ended on the highs.

COFFEE	Yesterday's close	+ or —	Business Done
[illegible]	[illegible]	[illegible]	[illegible]

COCOA

Having opened weaker as due, futures remained under pressure from commission house selling and closed at the end of a lively session near the day's lows. Actuals enjoyed some industry offtake but origins expressed little interest, reports Gill and Duffus.

COCOA	Yesterday's close	+ or —	Business Done
[illegible]	[illegible]	[illegible]	[illegible]

POTATOES

[illegible]

Month	Yesterday's close	Previous close	Business done
[illegible]	[illegible]	[illegible]	[illegible]

GRAINS

Wheat steadied on firmer delivered markets, but always found selling interest on November against keen speculative buying in deferred positions. [illegible]

	WHEAT		BARLEY	
Mnth	Yesterday's close	+ or —	Yesterday's close	+ or —
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON GRAINS—[illegible]

SUGAR

LONDON DAILY PRICE—Raw sugar [illegible]

No. 6 Con-tract	Yest'rday's close	Previous close	Business done
[illegible]	[illegible]	[illegible]	[illegible]

FREIGHT FUTURES

The market opened slightly easier in mixed conditions. A correction took place in the afternoon on light short-covering, reports Clarkson Wolff.

	Close	High/Low	Prev.
Dry Cargo	[illegible]	[illegible]	[illegible]
Tankers	[illegible]	[illegible]	[illegible]

SOYABEAN MEAL

Good commercial and professional buying was seen early on and prices remained steady despite option hedge selling, reports Muirpace.

	Yest'rday's close	+ or —	Business done
[illegible]	[illegible]	[illegible]	[illegible]

OIL

In the petroleum products market gas/oil buyers and sellers were far apart and no prompt trade was seen. [illegible]

CRUDE OIL—FOB ($ per barrel)—Nov: [illegible]

PRODUCTS—North West Europe Prompt delivery cif ($ per tonne): [illegible]

GAS OIL FUTURES

Month	Yest'rday's close	+ or —	Business Done
[illegible]	[illegible]	[illegible]	[illegible]

HEAVY FUEL OIL

Month	Yest'rday's close	+ or —	Business Done
[illegible]	[illegible]	[illegible]	[illegible]

LEADED GASOLINE

Month	Yest'rday's close	+ or —	Business Done
[illegible]	[illegible]	[illegible]	[illegible]

US MARKETS

COFFEE FUTURES made gains at midday to push the December contract back to a high of 174.80c but encountered technical resistance at the session's highs, reports Heinold. Gains were considered more of a technical correction to Monday's heavy sell-off and the coffee situation had still fundamentally changed. Sugar futures traded mixed throughout the session with activity rather thin but the market soon being supported by physical demand which left March at 6.88c. Gold and silver futures fell on profit-taking as the markets corrected Monday's sharp gains. The apparent winding down to the Opec ministerial meeting in Geneva has taken some pressure off precious metals. Platinum futures were boosted by good volume and active trading, the January contract gained about $6 on Monday's close.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
October	51.75	—	—	51.85
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COPPER 25,000 lb, cents/lb: [illegible]

COCOA 10 tonnes, $/tonne: [illegible]

COFFEE "C" 37,500 lb, cents/lb: [illegible]

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrel: [illegible]

COTTON 50,000 lb, cents/lb: [illegible]

GOLD 100 troy oz, $/troy oz: [illegible]

ORANGE JUICE 15,000 lb, cents/lb: [illegible]

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	High	Low	Prev
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Dec	44.00	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb: [illegible]

LIVE HOGS 30,000 lb, cents/lb: [illegible]

PORK BELLIES 38,000 lb, cents/lb: [illegible]

MAIZE 5,000 bu min, cents/56lb-bushel: [illegible]

SOYABEANS 5,000 bu min, cents/60lb-bushel: [illegible]

SOYABEAN MEAL 100 tons, $/ton: [illegible]

SOYABEAN OIL 60,000 lb, cents/lb: [illegible]

WHEAT 5,000 bu min, cents/60lb-bushel: [illegible]

SPOT PRICES—Chicago loose lard [illegible]

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar retreats on GNP rumours

THE DOLLAR closed little changed on balance, retreating from a firm opening on the foreign exchanges. At one time the US currency was poised to attack DM 2.00, boosted by Monday's rumours that third quarter US gross national product growth will be as high as 4 per cent, but then fell back on suggestions the figure will be much lower. Rumours as low as 1.2 per cent began to circulate, leaving the market confused and nervous. The GNP figure is expected today, followed by statistics on US personal income; consumer prices; and durable goods orders on Thursday. The result of these figures should decide the immediate direction for the dollar, but dealers were reluctant to commit themselves yesterday and the US currency closed little changed at DM 1.9880, compared with DM 1.9870; FFr6.51 against FFr6.5075; SFr1.6295 compared with SFr1.6305; and Y155.15 against Y154.75.

On Bank of England figures the dollar's index rose to 109.5 from 109.4.

STERLING — Trading range against the dollar in 1986 is 1.5555 to 1.3700. September average 1.4711. Exchange rate index rose 0.3 to 67.8, compared with 75.5 six months ago.

Sterling improved as hopes rose that the meeting of ministers from the Organisation of Petroleum Exporting Countries would agree on new oil production quotas. The increased optimism centred on hopes that Saudi Arabia would get Kuwait to compromise on its demand for a higher quota, and this led to a firming of prices for North Sea crude on the European spot market. Mrs Thatcher's determination to keep the pound out of the European Monetary System until the next General Election at the earliest, came as little surprise. Sterling gained 60 points to $1.4360-1.4370, and rose to DM 2.8550 from DM 2.8425; to FFr9.3525 from FFr9.31; to SFr2.34 from SFr2.3325; and Y222.75 from Y221.50.

D-MARK — Trading range against the dollar in 1986 is 2.4710 to 1.9740. September average 2.0486. Exchange rate index 142.3 against 135.8 six months ago.

The D-mark lost ground to the dollar in Frankfurt yesterday, as speculation increased that the US currency could break through DM 2.00 if third quarter US GNP figures are encouraging. Dealers said that if GNP growth is strong it will take pressure off the US Federal Reserve to cut its discount rate. At the Frankfurt fixing the Bundesbank did not intervene when the dollar rose to DM 1.9935 from DM 1.9788. This was the highest fixing for over a week, but the US currency retreated later to close at DM 1.9905 from DM 1.9880. Sterling rose to DM 2.8590 from DM 2.8300 at the Frankfurt fixing, underpinned by the improvement in the dollar.

JAPANESE YEN — Trading range against the dollar in 1986 is 202.70 to 152.35. September average 154.67. Exchange rate index 214.2 against 198.9 six months ago.

The yen was little changed against the dollar in thin trading in Tokyo. The US currency closed at Y154.70, compared with Y154.30 on Monday, and traded within a narrow range. Trading was quiet and nervous ahead of today's US GNP figure for the third quarter, amid speculation that third quarter growth could be as high as 4 per cent, compared with 0.6 per cent in the second quarter. Any sharp rise was expected to reflect unusually high car sales however, and not give a true guide to the state of the US economy. Dealers also expressed scepticism about a good figure ahead of mid-term US Congressional elections.

£ IN NEW YORK

Oct 21	Close	Previous Close
£ Spot	1.4355-1.4360	1.4290-1.4295
1 month	0.66-0.64 pm	0.66-0.64 pm
3 months	1.94-1.90 pm	1.94-1.90 pm
12 months	3.70-3.65 pm	6.73-6.63 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Oct. 21	Previous
8.30 am	67.7	67.2
9.00 am	67.7	67.3
10.00 am	67.8	67.3
11.00 am	67.8	67.3
Noon	67.8	67.3
1.00 pm	67.8	67.3
2.00 pm	67.9	67.4
3.00 pm	67.8	67.5
4.00 pm	67.8	67.5

CURRENCY RATES

Oct. 21	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.84794	0.728884
U.S. Dollar	5.5	1.21620	1.04558
Canadian $	8.58	*	1.45462
Austrian Sch.	4	17.0475	14.6518
Belgian Franc	8	50.3568	43.2480
Danish Kroner	7	9.12393	7.84188
Deutsche Mark	3½	2.42449	2.08280
Neth. Guilder	4½	2.74010	2.35413
French Franc	9½	N/A	6.82243
Italian Lira	12	N/A	1442.12
Japanese Yen	3½	188.183	162.296
Norway Krone	8	8.90988	7.65733
Spanish Peseta	—	161.480	138.801
Swedish Krona	7½	N/A	7.16957
Swiss Franc	4	1.98605	1.70692
Greek Drach.	20½	N/A	141.070
Irish Punt	—	N/A	0.764316

* C$/SDR rate for Oct. 20; 1.69683

CURRENCY MOVEMENTS

October 21	Bank of England Index	Morgan Guaranty Changes %
Sterling	67.8	−25.5
U.S. Dollar	109.5	+1.6
Canadian Dollar	76.6	−13.2
Austrian Schilling	133.5	+9.1
Belgian Franc	97.5	−5.6
Danish Krone	90.3	+2.4
Deutsche Mark	142.3	+19.6
Swiss Franc	168.7	+22.5
Guilder	130.8	+13.0
French Franc	70.7	−12.6
Lira	48.1	−15.5
Yen	214.2	+59.4

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1976=100).

OTHER CURRENCIES

Oct. 21	£	$
Argentina	1.5685-1.5745	1.0830-1.0865
Australia	2.2505-2.2400	1.5700-1.5710
Brazil	20.10-20.25	14.05-14.10
Finland	6.9690-6.9795	4.8665-4.8685
Greece	181.75-185.15	133.80-136.10
Hong Kong	11.1875-11.1975	7.8010-7.8030
Iran	108.00*	95.60*
Kuwait	0.4200-0.4205	0.2928-0.2930
Luxembourg	59.30-59.40	41.25-41.35
Malaysia	3.7590-3.7650	2.6215-2.6235
N. Zealand	2.8560-2.8660	1.9920-1.9980
Saudi Ar.	5.3715-5.3815	3.7495-3.7500
Singapore	3.1175-3.1235	2.1740-2.1760
S. Af. (Cm)	3.2120-3.2350	2.2405-2.2455
S. Af. (Fn)	6.8300-7.1715	4.7620-5.0000
U.A.E.	5.2665-5.2715	3.6725-3.6735

* Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu October 21	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	43.1139	43.2480	+0.31	+1.02	±1.5368
Danish Krone	7.81701	7.84188	+0.32	+1.03	±1.6403
German D-Mark	2.11083	2.08280	−1.33	−0.62	±1.1127
French Franc	6.87316	6.82243	−0.74	−0.03	±1.3659
Dutch Guilder	2.37833	2.35413	−1.02	−0.31	±1.5059
Irish Punt	0.764976	0.764316	+0.09	+0.62	±1.6683
Italian Lira	1476.95	1442.12	−2.36	−1.97	±4.0734

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST THE POUND

Oct. 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4310-1.4370	1.4360-1.4370	0.65-0.62c pm	5.30	1.86-1.81c pm	5.11
Canada	1.9950-2.0010	1.9980-1.9990	0.52-0.43c [illegible]	[illegible]	[illegible]	[illegible]
Netherlands	3.21¾-3.23½	3.22¾-3.23¾	1¾-1⅝c [illegible]	[illegible]	[illegible]	[illegible]
Belgium	59.15-59.55	59.30-59.40	22-21 [illegible]	[illegible]	[illegible]	[illegible]
Denmark	10.72-10.77	10.75½-10.76½	1⅞-1⅜ore [illegible]	[illegible]	[illegible]	[illegible]
Ireland	1.0453-1.0504	1.0475-1.0485	0.50-0.70p [illegible]	[illegible]	[illegible]	[illegible]
W. Germany	2.85-2.86	2.85-2.86	1¾-1⅝pf [illegible]	[illegible]	[illegible]	[illegible]
Portugal	209.00-210.50	209.85-210.45	45-107c [illegible]	[illegible]	[illegible]	[illegible]
Spain	189.50-190.70	190.40-190.65	8pm-31c [illegible]	[illegible]	[illegible]	[illegible]
Italy	1974½-1981¾	1977-1978	3-par lire [illegible]	[illegible]	[illegible]	[illegible]
Norway	10.47½-10.50¾	10.49¾-10.50¾	2⅞-2⅜ore [illegible]	[illegible]	[illegible]	[illegible]
France	9.33½-9.36½	9.34¾-9.35¾	2⅞-2¼c [illegible]	[illegible]	[illegible]	[illegible]
Sweden	9.81¾-9.84½	9.82¾-9.83¾	2⅛-2 ore [illegible]	[illegible]	[illegible]	[illegible]
Japan	221½-223¾	222¾-223¾	1½-1¼y [illegible]	[illegible]	[illegible]	[illegible]
Austria	20.00-20.15	20.10-20.14	10⅝-9⅝gro [illegible]	[illegible]	[illegible]	[illegible]
Switzerland	2.33½-2.34½	2.33½-2.34½	1¾-1½c [illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc 59.65-59.75. Six month forward dollar 3.47-3.42c pm. 12 month 6.25-6.15c pm

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Oct. 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4310-1.4370	1.4360-1.4370	0.65-0.62c [illegible]	[illegible]	[illegible]	[illegible]
Ireland†	1.3625-1.3712	1.3710-1.3720	1.30-0.80c [illegible]	[illegible]	[illegible]	[illegible]
Canada	1.3910-1.3926	1.3910-1.3920	0.27-0.30c [illegible]	[illegible]	[illegible]	[illegible]
Netherlands	2.2440-2.2540	2.2460-2.2470	0.14-0.12c [illegible]	[illegible]	[illegible]	[illegible]
Belgium	41.25-41.45	41.25-41.35	3-5 c [illegible]	[illegible]	[illegible]	[illegible]
Denmark	7.47½-7.50½	7.48¾-7.49¼	1.50-2.00ore [illegible]	[illegible]	[illegible]	[illegible]
W. Germany	1.9855-1.9995	1.9875-1.9885	0.29-0.26pf [illegible]	[illegible]	[illegible]	[illegible]
Portugal	146¼-146½	146¼-146½	100-150c [illegible]	[illegible]	[illegible]	[illegible]
Spain	132.30-132.88	132.55-132.65	65-80c [illegible]	[illegible]	[illegible]	[illegible]
Italy	1371-1380½	1376¼-1376¾	5-6lire [illegible]	[illegible]	[illegible]	[illegible]
Norway	7.30½-7.32¾	7.30½-7.31	5.40-5.70ore [illegible]	[illegible]	[illegible]	[illegible]
France	6.50½-6.54	6.50¾-6.51¼	1.05-1.25c [illegible]	[illegible]	[illegible]	[illegible]
Sweden	6.84-6.87	6.84¼-6.84¾	1.30-1.50ore [illegible]	[illegible]	[illegible]	[illegible]
Japan	154.65-155.50	155.10-155.20	0.23-0.18y [illegible]	[illegible]	[illegible]	[illegible]
Austria	13.98½-14.03	13.99¾-14.00¾	1-⅞ gro [illegible]	[illegible]	[illegible]	[illegible]
Switzerland	1.6270-1.6345	1.6290-1.6300	0.41-0.36 [illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 41.50-41.60.

EURO-CURRENCY INTEREST RATES

Oct. 21	Short term	7 Days' notice	One Month	Three Months	Six Months	One Year
Sterling	10¾-11	10⅝-10⅞	11⅛-11¼	[illegible]	[illegible]	[illegible]
U.S. Dollar	5{13/16}-6{1/16}	5{13/16}-6{1/16}	6-6⅛	[illegible]	[illegible]	[illegible]
Can. Dollar	7¾-8¼	7¾-8¼	8{1/16}-8{5/16}	[illegible]	[illegible]	[illegible]
D. Guilder	5⅛-5⅜	5{3/16}-5{7/16}	5{5/16}-5{7/16}	[illegible]	[illegible]	[illegible]
Sw. Franc	¾-1	¾-1	3⅛-3½	[illegible]	[illegible]	[illegible]
Deutschmark	4{3/16}-4{5/16}	4¼-4⅜	4{7/16}-4{9/16}	[illegible]	[illegible]	[illegible]
Fr. Franc	7¼-7½	7⅜-7⅝	8-8¼	[illegible]	[illegible]	[illegible]
Italian Lira	9-11	10-11	10½-11	[illegible]	[illegible]	[illegible]
B. Fr. (Fin.)	6¾-7	7-7¼	7⅛-7⅜	[illegible]	[illegible]	[illegible]
B. Fr. (Con.)	6¾-7	7-7½	7⅜-7⅝	[illegible]	[illegible]	[illegible]
Yen	4{3/16}-4{5/16}	4⅜-4½	4⅜-4{11/16}	[illegible]	[illegible]	[illegible]
D. Krone	9¼-9¾	9¼-9¾	9½-10	[illegible]	[illegible]	[illegible]
Asian $ (Sing.)	5{13/16}-6{1/16}	5{13/16}-6{1/16}	6-6⅛	[illegible]	[illegible]	[illegible]

Long-term Eurodollars: Two years 6¾-7 per cent; three years 7¼-7⅜ per cent; four years 7{5/16}-7{13/16} per cent; five years 8-8¼ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Oct 21	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.437	2.855	222.8	9.353	2.34[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$	0.696	1	1.988	155.2	6.510	1.63[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	0.350	0.503	1	78.02	3.276	0.82[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	4.489	6.449	12.82	1000	41.99	10.5[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	1.069	1.536	3.053	238.2	10	2.50[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.427	0.614	1.220	95.19	3.997	1	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	0.310	0.445	0.885	69.02	2.898	0.72[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.506	0.726	1.444	112.6	4.729	1.18[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	0.500	0.719	1.429	111.5	4.680	1.17[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.685	2.420	4.810	375.3	15.76	3.94[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

FINANCIAL FUTURES

Prices firm but nervous

PRICES WERE generally firmer on the London International Financial Futures Exchange, but the rise tended to lack conviction, leaving traders confused and nervous. The first area of doubt involved the timing of the third quarter US gross national product publication. This was originally expected yesterday, but was delayed by the temporary closure of US Government offices. The announcement is now due today, but there was some concern that there may be a further delay. The second area of doubt and confusion was over the forecast figure. Second quarter growth was very low at 0.6 per cent, and there is little doubt the third quarter figure will be higher, but forecasts vary widely. On Monday it was suggested third quarter GNP would be as high as 4 per cent, but yesterday rumours circulated that it would be only 1.2 per cent.

December US Treasury bond futures opened at 93-22, and fell to an eary low of 93-20, before rising to around 94-00 before Chicago began trading. The rumour of a 1.2 per cent GNP figure pushed the contract up to a peak of 94-07, before it fell back to trade in a narrow range throughout the afternoon, and close at 94-01, compared with 93-19 on Monday.

Dealers commented that in spite of the many rumours most forecasts for GNP growth are around the 2.5 per cent region, and this is likely to prove the pivot point for the market today. If it is below 2.5 per cent the market will improve, but a higher figure is likely to produce a fall.

December Eurodollar deposits were very quiet, opening at 93.90, the day's low and touching a peak of 93.94, before closing at 93.92, compared with 93.90 previously.

Sterling denominated contracts were boosted by the improvement of the pound on the foreign exchanges. There was no reaction to thedecision not to take sterling into the European Monetary System ahead of the next General Election, and dealers suggested the three-month sterling deposit contract had recovered its poise after a recent bout of severe nerves. The December contract rose to 88.87 from 88.64, and December long term bonds rose to 110-11 from 109-17, but there was a suggestion of nervousness about the UK trade figures for September, due for publication tomorrow, after the record deficit in August.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Dec.	Calls—Last Mar.	Puts—Last Dec.	Puts—Last Mar.
106	4.42	5.58	0.20	1.30
108	3.05	4.39	0.47	2.11
110	1.54	3.32	1.32	3.04
112	0.63	2.37	2.41	4.09
114	0.30	1.54	4.08	5.26
116	0.12	1.18	5.54	6.54
118	0.04	0.56	7.46	8.28
120	0.01	0.37	9.43	10.09

Estimated volume total, Calls 484, Puts 239
Previous day's open int. Calls 22,007, Puts 6,119

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Dec.	Calls—Last Mar.	Puts—Last Dec.	Puts—Last Mar.
88	6.10	6.46	0.08	1.38
90	4.25	5.26	0.23	2.18
92	2.55	4.16	0.53	3.08
94	1.44	3.18	1.42	4.10
96	0.57	2.31	2.55	5.23
98	0.26	1.53	4.24	6.45
100	0.11	1.21	6.09	8.13
102	0.04	0.60	8.02	9.52

Estimated volume total, Calls 220, Puts 130
Previous day's open int. Calls 535, Puts 956

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Dec.	Calls—Last Mar.	Puts—Last Dec.	Puts—Last Mar.
1525	9.85	14.00	1.25	2.40
1550	7.99	12.21	1.89	3.11
1575	6.33	10.56	2.73	3.96
1600	4.90	9.06	3.80	4.96
1625	3.70	7.69	5.10	6.09
1650	2.72	6.48	6.62	7.38
1675	1.95	5.40	8.35	8.80
1700	1.36	4.46	10.26	10.36

Estimated volume total, Calls 0, Puts 2
Previous day's open int. Calls 261, Puts 256

LIFFE £/$ OPTIONS £25,000 (cents per £1)

Strike Price	Calls—Last Nov.	Dec.	Mar.	Jun.	Puts—Last Nov.	Dec.	Mar.	Jun.
1.30	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.35	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.40	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.45	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.55	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.60	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls 60 Puts 0
Previous day's open int. Calls 2,034 Puts 2,990

LONDON SE £/$ OPTIONS £12,500 (cents per £1)

Strike Price	[illegible]
[illegible]	[illegible]

Previous day's open int. Calls 2,278, Puts 962
Volume: 0

PHILADELPHIA SE £/$ OPTIONS £12,500 (cents per £1)

Strike Price	[illegible]
1.30	[illegible]
1.35	[illegible]
1.40	[illegible]
1.45	[illegible]
1.50	[illegible]
1.55	[illegible]
1.60	[illegible]

Previous day's open int: Calls 41,363 Puts 86,256
Previous day's volume, Calls 1366 Puts 502

LIFFE—EURODOLLAR OPTIONS $1m points of 100%

Strike Price	[illegible]
[illegible]	[illegible]

Previous day's open int. Calls 1,353 Puts 1,575
Estimated volume, Calls 0 Puts 0

LONDON

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev.
Dec.	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]

Est. volume 11,248 (11,375)
Previous day's open int. 16,080 (16,067)

20% NOTIONAL SHORT GILT £100,000 64ths of 100%

	Close	High	Low	Prev.
Dec.	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

Est. Volume 84 (80)
Previous day's open int. 1,169 (1,169)

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Est. Volume 4,003 (5,701)
Previous day's open int. 15,699 (15,441)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev.
Dec.	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume 297 (434)
Previous day's open int. 2,756 (2,864)

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume 3,668 (4,858)
Previous day's open int. 25,784 (25,462)

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated Volume 4,025 (4,851)
Previous day's open int. 5,906 (6,083)

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4365	1.4302	1.4182	1.4021	1.3745

IMM—STERLING $e per £

	Latest	High	Low	Prev.
Dec.	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept.	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev.
Dec.	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume 13 (12)
Previous day's open int. 941 (930)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CERT. DEPOSIT (IMM) $1m points of 100%

	Close	High	Low	Prev.
Dec.	[illegible]	[illegible]	[illegible]	[illegible]
Sept.	[illegible]	[illegible]	[illegible]	[illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STANDARD & POORS 500 INDEX (IMM) $500 times index

	Latest	High	Low	Prev.
Dec.	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept.	[illegible]	[illegible]	[illegible]	[illegible]

MONEY MARKETS

Pressure continues to ease in London

INTEREST RATES continued to ease on the London money market yesterday, as sterling improved on the foreign exchanges, and sentiment recovered from the low point reached after the disappointing speech by the Chancellor at the Mansion House last week. Pressure for an increase in bank base rates declined, although the market remained nervous, ahead of further news from the Opec meeting in Geneva and the UK trade figures on Thursday. Three-month interbank fell to 11{1/16}-11{1/16} per cent from 11⅞-11½ per cent.

UK clearing bank base lending rate 11 per cent since October 15

The Bank of England initially forecast a money market surplus of £100m, but revised this to a flat position at noon. The authorities did not intervene in the market.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasursy bills drained £187m, with bank balance below target absorbing £65m. These were offset by a fall in the note circulation adding £55m to liquidity, and Exchequer transaction adding £325m, boosted by block grant paid to local authorities of £343m and housing grant for local authorities of £110m.

In Frankfurt call money rose slightly to 4.30 per cent from 4.25 per cent. In early trading call money rose to 4.40 per cent, but eased back after it became clear the West German Bundesbank was prepared to leave surplus liquidity in the market. On Monday the central bank disbursed funds through state owned banks, but trading was nervous ahead of today's drain of DM 4.8bn from the market as a securities repurchase agreement expires. The Bundesbank has not announced a new agreement this week, because of money flowing into the banking system from recent sales of D-Marks by the authorities in support of the dollar. West German net currency reserves rose DM 1.7bn to DM 69.5bn in the second week of October, reflecting the interveniion by the Bundesbank to support the dollar and prevent a contiued appreciation of the D-Mark.

In Tokyo the Bank of Japan announced it is to sell Y200bn of cash management bills today, from its holding of 42-day repurchase agreements. The yield will be 4.7004 per cent, and will help absorb a money market surplus. It compares with the one-month commercial bill discount rat of 4.6250 per cent.

MONEY RATES

NEW YORK (Lunchtime)

		Treasury Bills and Bonds	
Prime rate	[illegible]	One month	[illegible]
Broker loan rate	[illegible]	Two month	[illegible]
Fed. funds	[illegible]	Three month	[illegible]
Fed. funds at intervention	[illegible]	Six month	[illegible]
		One year	[illegible]
		Two year	[illegible]
		Three year	[illegible]
		Four year	[illegible]
		Five year	[illegible]
		Seven year	[illegible]
		10 year	[illegible]
		30 year	[illegible]

Oct. 21	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct. 21) 3 months U.S. dollars: bid [illegible], offer [illegible]; 6 months U.S. dollars: bid [illegible], offer [illegible]

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

Oct. 21	Over-night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month 10⅝ per cent; three-months 10⅞ per cent; Bank Bills (sell): one-month [illegible] per cent; three months [illegible] per cent; Treasury Bills: Average tender rate of discount [illegible] per cent. ECGD Fixed Finance Scheme IV reference rate September 3 to October 7 (inclusive): 10.355 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10 per cent from October 1, 1986: Bank Deposit Rates for sums at seven days' notice 4.35-4.375 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 11 per cent; one-three months 11 per cent; three-six months 11 per cent; six-nine months 11 per cent; nine-12 months 11 per cent. Under £100,000 11 per cent from October 16. Deposits held under Series 5 11 per cent. Deposits withdrawn for cash 5½ per cent.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1986 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
99	94	Exch. 2½pc 1986	99	+	2.51	9.83
102	100	Exch. 13½pc 1987	100	+	13.20	11.75
100	97	Treas 10½pcCv '87	99	+	10.29	11.07
98	92	Exch 2½pc 1987	98	-	2.55	8.44
101	97	Exch. 10½pc 1987	99	+	10.53	11.21
98	93	Funding 6½pc 85-87	98	+	6.63	10.57
101	96	Treas. 10pc 1987	99	+	10.07	11.05
97	90	Treas 3pc 1987	96	+	3.12	8.40
104	99	Treas. 12pc 1987	100	+	11.90	11.24
97	92	Treas 7¾pc 1985-88‡‡	96	+	8.05	10.71
104	96	Exch 10½pc '88	99	+	10.60	11.29
102	95	Treas 9¾pc Cv '88	97	+	9.97	11.24
94	86	Transport 3pc '78-88	91	+	3.28	8.44
102	93	Treas. 9½pc '88	97	+	9.79	11.20
107	98	Treas 11½pc 1989	100	+	11.44	11.20
103	93	Treas 9½pc Cnv 1989	96	+	9.84	11.12
92	82	Treas 3pc 1989	87	+	3.43	8.59
105	95	Treas 10½pc 1989	98	+	10.67	11.27
104	94	Exch 10pc 1989	97	+	10.29	11.17
107	97	Exch 11pc 1989	99	+	11.09	11.14
95	84	Treas 5pc 1986-89	88	+	5.67	9.61
110	99	Exch 10½pcCv '89	100	+	10.20	10.10
114	103	Treas 13pc 1990‡‡	104	+	12.39	11.09
108	97	Exch 11pc 1990‡‡	99	+	11.03	11.07
113	101	Exch. 12½pc 1990	103	+	12.03	11.11
89	79	Treas. 3pc 1990	83	+	3.60	8.58
100	89	Treas 8¼pc 1987-90‡‡	93	+	8.85	10.53
106	93	Treas. 10pcCv 1990	96	+	10.37	11.13
86	76	Exch 2½pc 1990	80	+	3.12	8.35
112	99	Treas 11¾pc 1991	101	+	11.53	11.19
94	83	Funding 5¾pc '87-91‡‡	87	+	6.59	9.31
86	79	Treas. 3pc 1991●	79	-	3.77	8.51

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
78½	45	Mitchell Cotts	54½	—	7.5	ϕ	3.9	ϕ
124	81	Molins & Crane 10p	114	—	12.7	2.9	3.3	13.9
323	210	Morgan Crucible	323	+3	18.5	1.5	3.8	21.2
23½	15½	Morris (H) F.A. 40p	18	−½	—	—	—	—
152	85	Mysel Grp 10p	138	+1	12.63	2.6	2.7	17.8
345	230	NMW Computers	240xd	—	16.0	3.0	3.5	13.8
85	27	Nash Inds	83	—	10.5	—	0.8	—
*27½	15½	Neill & Spencer 10p	16	—	6b	—	—	—
39	20	Newman Inds 10p	33	−3	10.8	1.5	3.4	25.2
134	65	Noble & Lund 10p	104	−4	0.7	4.3	0.9	34.2
65	39	Norton	59	+5	10.95	7.0	2.4	7.9
150	96	Norank Systems 5p	145	—	ml.5	—	1.5	18.3
286	167	Norcros	222	−1	9.3	2.2	5.9	10.6
195	49	Nu-Swift 5p	188	−5	13.5	2.1	2.6	25.0
£356½	£228	OCE 9pc Cov 1987-92	£341½	−5	Q9%	—	2.7	—
118	80	Oakwood Grp	91	—	5.0	1.3	‡	12.6
250	185	Office & Elect	198	—	8.5	2.9	6.1	8.0
183	70	Oldaire 20p	176	—	5.0	ϕ	4.1	ϕ
38	26	Omnitech 1p	27	—	—	—	—	—
36	22	Optometrics $0.01	24	—	—	—	—	—
890	500	Oriflame £1	860	—	124.5	2.1	4.0	16.7
10	5	Overstone 12½p	8	—	03.25	1.9	12.5	4.2
142	85	PCT Grp 10p	118	—	8.2	—	5.6	—
£28½	£13¼	PLM 'B' Sk 25	£19¼	+¼	Q23.2%	0.3	3.2	—
195	114	PSM Intl	186	—	5.5	2.1	4.2	14.0
255	160	Pacer Systems $0.01	180	+12	[illegible]	3.4	1.5	20.0
78	50	Pacific Sales 10p	51	−2	3.0	1.4	8.3	12.2
445	246	Parker Knoll 'A'	409	—	12.0	3.2	4.2	10.6
222	83	Parkfield Group 5p	181	−2	3.6	4.2	2.8	11.9
53	17	Pavion Intl	21	—	—	—	—	5.6
£130	£64½	Do 11pc CvLn '94-02	£78½	—	Q11%	—	16.1	—
408	299	Pearson	345	−3	10.0	2.8	2.6	17.7
41	12	Peek Holdings 5p	39	−2	—	—	—	—
145	88	Peerless	140	—	6.3	7.5	6.3	12.5
519	141½	Pentland 10p	496	+5	0.75	22.4	0.2	24.9
£14	775	Photo-Me	£12½	—	5.75	ϕ	0.6	ϕ
508	315	Pilkington Br. £1	488	+5	13.5	2.7	3.9	10.6
£436½	£293	Pitney-Bowes Cv. Ln	£429½	−7	Q5½%	—	1.3	—
96	52	Plastic Constr. 10p	80	—	2.8	2.5	4.9	11.2

LEISURE—Continued

1986 High	Low	Stock	Price	+ or −	Div Net
117	100	Lamont	101	—	2.45
98	80	Marlow Dec. 50p	90	—	3.13
220	125	Media Tech Int 20p	130	−3	2.8
*170	130	Medminster 10p	145	—	6.25
220	139	Miss World 10p	208	—	15.2
90	62	Nationwide Leisure	69	—	3.75
17	10	Owners Abroad 3p	35½	—	1.5
90	46	Photax (Lon.)	78	+5	—
34	26½	P'dilly Radio NV 5p	26½	—	2.0
76	25¾	Pineapple 10p	73	—	—
391	280	Pleasurama 5p	389	+1	17.5
178	136	Do. 7pcCvCumRedPf	145	−1	7%
157	94	Prestwich	108	−1	—
43	18	Radio City 'A' NV	29	−1	—

LONDON STOCK EXCHANGE

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Oct 11	Oct 23	Oct 24	Nov 3
Oct 27	Nov 6	Nov 7	Nov 17
Nov 10	Nov 20	Nov 21	Dec 1

*"New time" dealings may take place from 9.00 am two business days earlier.

Steady but slow trading session coloured by late bid for Imperial Continental Gas

London securities markets were featured by firmness in Government bonds and in oil stocks, although technical factors played a significant role in both sectors. Firm indications by the UK Government that sterling will not enter the European Monetary System (EMS) before the next general election failed to upset gilt-edged securities, which were helped by an improvement in the pound. The broader range of equities had a sluggish session, with takeover news providing the features.

"Government bonds had a good day," commented one leading house. Gains ranged to around ⅝ of a point, with most of the upturn showing within the first half of the session. Buying interest was thinnish but there were few sellers in the market as traders again took action to hold their positions in balance ahead of next Monday—Big Bang Day. The FT Government securities index added 0.30 to 82.56.

Prices were unaffected when the Halifax Building Society took the lead among its peers in raising mortgage rates, an expected response to the recent rise in bank base rates.

The share market opened a shade lower, still suffering from the shakeout of the previous session, but soon steadied. Interest was thin, but an early fall on Wall Street was shrugged off. The FT-SE 100 Index ended 1.0 up at 1591.2, and the FT Ordinary index 0.8 higher at 1265.2.

Optimistic reports from the OPEC meeting brought in buyers for oil shares, and with the market short of stock, prices rose quickly. Britoil maintained their recent recovery.

But the star feature was the late bid of 530p a share or £750m for Imperial Continental Gas, one of the market's long-standing bid favourites, from Gulf Resources, the Houston-based energy group in which the Barclay brothers of the UK have a 34 per cent stake. IC Gas shares immediately extended an earlier gain to close at 553p, a net gain of 38p on the day clearly indicating market opinion that Gulf would have to increase its bid by about 20p a share to have a chance. The IC Gas board rejected the terms of the Gulf offer.

Earlier in the day, an attempt by Wood Mackenzie acting for "an unnamed overseas buyers" to buy 9.9 per cent of IC Gas at 530p by open market purchase collapsed in ignominy as the shares soared to 540p.

Greenwell Montagu the London-based broker, told clients that IC Gas assets were worth 585p a share, and "a serious bidder would have to offer nearer the asset price." "I would be surprised if Mackenzie got half the shares they wanted," said one dealer. Gulf already holds 10.6 per cent of IC Gas, while others holding smaller stakes include Ron Brierley, the New Zealand entrepreneur.

Heath up again

Comment on the unwelcome bid from PWS International and suggestions that Citicorp could possibly launch a counter offer, helped C. E. Heath improve 4 more making a two-day jump of 83 at 563p; PWS remained at the overnight level of 315p. Other Lloyd's Brokers drifted lower for want of support. Stewart Wrightson gave up 8 at 464p and Willis Faber lost 10 at 462p. Life issues were inclined harder in places. Equity and Law added 5 at 283p as did Legal and General at 223p.

Apart from Rugby Portland Cement, which encountered a sudden burst of speculative support and touched 163p prior to closing a net 4 up at 161p, leading Buildings has little to offer in the way of price movements. The Halifax Building Society's decision to raise mortgage rates by 1¼ per cent made no apparent impression on housebuilders which held close to overnight levels. Elsewhere, Tilbury Group revived strongly on Raine Indusries bid hopes and gained 12 to 178p with the new nil paid shares 11 higher at 36p premium. On the other hand, profit-taking left recently-firm Tay Tomes 12 down at 163p, while Polypipe slipped a couple of pence to 156p following the annual meeting.

Among Chemicals, old takeover favourite Fosece attracted revived demand and closed 8 higher at 235p.

LCP jump on bid

LCP highlighted the Stores sector with a leap of 46 to 184p in response to the share exchange bid from Ward White, 18 down at 312p, after 310p; LCP's board later dismissed the offer as unacceptable with no commercial or financial merit and urged shareholders to reject it. Elsewhere, French Connection encountered early selling in a very restricted market and plummeted to 170p at one stage before rallying to close a net 30 down at 210p; the interim results are scheduled for tomorrow. Sumrie fell 6 at 21p on persistent offerings, while Bremner, at 66p, lost all of the previous day's Press-inspired gain of 6.

Among the Engineering leaders, GKN edged higher to close 5 better at 257p, but Hawker continued easier in front of today's interim statement and gave up another 4 to 447p. Elsewhere, North British Steel, the subject of a tip sheet recommendation, advanced 16 to 51p. Crown House in contrast, gave up 10 more amid fading bid hopes. Mitchell Somers, on the other hand, firmed a few pence to 106p on suggestions UK Provident had sold its stake in the company. Booth Indusries, a strong market recently following newsletter comment, met with revived buying and put on 20 to 178p.

Sellers again held sway among the leading Electricals. Plessey lost 4 more to 172p as did British Telecom to 180p. Racal softened a couple of pence at 160p, while GEC closed the same amount lower at 164p. Secondary issues featured Prestwick, 9 down at 40p, after 38p, following news of the final dividend omission and £2.3m annual deficit. Amstrad, still reflecting adverse comment, declined 2 more at 116p, while Eurotherm came on offer at 260p, down 10. Lec Refrigeration, meanwile, continued to reflect Bosch stakebuilding rumours and added 5 afresh at 263p. Bucking the trend in a sector currently unsettled by interest rate worries, ASDA-MFI hardened a couple of pence to 166p on re-rating suggestions and Tesco improved to 410p ahead of the interim results due shortly. On the other hand, J. Sainsbury slipped back to close 4 cheaper at 400p, while Dee Corporation gave up 7 to 208p and Argyll fell 8 to 315p. Elsewhere, Hillsdown lost 5 to 200p in the wake of the recent fund raising exercise, while Hughes Food, a good market on late on Hillsdown bid hopes, lost ½ to 27½p following the interim results.

Low and Bonar react

Low and Bonar met with selling following acquisition news and the proposed funding arrangements; L and B is acquiring Advance Power Supplies and Advance Bryans Instruments for an initial consideration of £8m and £1.6m respectively. In addition, a subsidiary of L and B has entered a merger agreement with a publicly quoted US company, Powertec. Elsewhere in the miscellaneous industrial sector, the recovery in half-year profits and return to the interim dividend list enlivened buying interest in Silentnight which closed 4½ to the good at 57½p. Nelton Estates, an old bid favourite, encountered a revival of speculative demand and put on 5 to 55p, but occasional offerings and lack of support prompted a reaction of 9 to 186p in Diploma. Sterling Industries, sharply higher in the previous trading session on its link with British and Commonwealth, eased 5 to 155p following profit-taking, while William Sinclair turned easier in front of today's preliminary figures and came back 10 to 200p. Other dull spots included Bodycote, 7 lower at 348p and Wade Potteries a similar amount cheaper at 151p, but late support lifted Associated British Ports 7 to 288p. Among the leaders, speculative demand revived in Pilkington Bros which rallied 5 to 488p. Glaxo, helped by a broker's favourable circular, picked up 7 to 947p.

ERF were lowered 3½ late to 73½ on the board's decision not to pay the dividend due this month on the 10 per cent Cum. Preference stock. Lex Service replied nervously to news that National Semiconductor is reviewing its relationship as a supplier to Schweber, the UK group's largest US subsidiary in the semiconductor field, and the price fell to 307p prior to ending 8 down on balance at 311p.

A financial analyst's advice to stay with McCorquodale encouraged selling of bidder Norton Opax which fell 8 to 140p; today is the final closing date of the offer but Norton has the option to extend it for a few weeks more. WPP were hardly affected by Panmure Gordon placing nearly 1.2m shares with various institutions at 595½p per share. The cash was raised to partly finance the acquisition of Pace Communications, a US concern specialising in real estate communications. Greenwell Montagu was also busy placing 1.3m shares of Moorgate, the residue of Jon Sayers 25 per cent stake not taken up by directors and employees of the company. Co-founder Jon Sayers resigned last week but will be staying with Moorgate for some time on a consultancy basis. The Moorgate share price finally edged further away from the year's low point to close 2 higher at 108p.

The Property leaders were unable to build on firmer opening levels and gradually drifted back to close a shade easier on balance. Land Securities, after early progress to 326p, finished 2 cheaper at 322p, while MEPC ended a penny off at 335p. Hammerson A managed an improvement of 5 at 425p awaiting tday's half-timer, but Brixton Estate, a firm market of late on suggestions of a possible merger with Arlington Securities, came back 4 to 167p. Recently firm British and Commonwealth associates Abaco and Country and New Town encountered profit-taking, the former easing 1½ to 73¼ and the latter losing 5 at 128p. Elsewhere, London Shop Property attracted support at 173p, up 3 but London and Provincial Shop Centres shed 5 to 260p following the annual results.

Tokyo market trends affected Far-Eastern orientated Trusts among which Baillie Gifford Japan fell 12 to 348p and GT Japan 7 to 215p. Touche Remnant concerns made an indifferent response to the discussions with Metropolitan Life Insurance of the US which could result in a bid being made for Touche Remnant. But Pacific Investment rose 2 to 128p following Treasury consent for the company to become non-resident for tax purposes. Arrangements are in hand to convert Pacific Inv into an open-ended company based in Luxembourg.

Financials presented contrasting movements in Smith New Court which moved up 8 to 168p on views that the shares were a buy at the lower end of this year's trading range. Exco, on the other hand, ran into further profit-taking from disillusioned bid speculators and lost 8 to 340p.

Oils move higher

The IC Gas bid situation dominated proceedings in the Oil sector although the leaders made fresh progress helped by higher crude prices overnight and subsequent reports that OPEC had concluded a successful quotas agreement. BP advanced to close 7 higher at 675p, while Shell rose 10 to 923p. Britoil were a particularly firm market and closed 8 higher at the day's best of 143p, while LASMO put on 5 to 128p. Elsewhere, Berkeley Exploration followed Monday's gain of 8 on the Ranger Oil (UK) bid with a further rise of 6 to 52p on hopes of an increased offer.

South African Golds and related stocks continued to trade narrowly in extremely thin and nervous markets despite a welter of theoretically bullish factors. The fresh surge in Platinum, continuing concern of possible strike action by the South African National Union of Mineworkers and the untimely death of Mozambican President Samora Machel were generally received with equanimity.

Quotations opened a shade firmer for choice, but this merely reflected professional short covering and leading trading centres again reported that institutional investors were still reluctant to open fresh positions. General Motors' decision to pull out of the Republic was mentioned as another inhibiting factor, particularly following rumours that US computer giant IBM is set to follow suit. The FT Gold Mines index hardened 1.6 to 290.5—its first advance for 6 trading sessions.

Bullion closed slightly easier at $425.25 an ounce, but Platinum recrossed the $600 barrier at the afternoon fixing although later trading took place below this level. Leading Producers Impala and Rustenburg both rose 10 to the common level of 740p.

South African Financials made limited progress with "Amgold" a half-point better at £50⅞ and Gold Fields of South Africa 21 dearer at 871p. London domiciled counters were irregular. Persistent takeover chatter prompted revived excitement in Consolidated Gold Fields, which with the aid of traded option activity, touched 690p before settling only 8 up on balance at 672p.

Overnight strength of bullion ensured a firm showing by leading Australian mines in Sydney and Melbourne. Most closed below the best in London dealings, however, with CRA only 4 up at 359p, after 361p, and Western Mining 3 better at 220p, after 223p. MIM Holdings advanced 10 to 119p, the disappointing first-quarter profits being overshadowed by unconfirmed reports that the company is about to float off its 33 per cent interest in the Porgera high grade gold deposit in Papua New Guinea.

Other explorers were featured by North Kalgurli, finally 3 up at 56p, with the Warrants 4 dearer at 40p, while Emperor, 268p, and Kidston, 355p, rose 13 and 10 respectively. Dealings in Caltas Resources, suspended last week at 11p, resumed at 17p yesterday following the conditional placing of 55 per cent of the equity capital with Horizon Oil, ultimately controlled by New Zealand merchant banking group Fay, Richwhite, and a proposed A$7.2 rights issue. Kia Ora Gold were quoted at 35p following the consolidated of the share capital.

Traded Options

Total contracts transacted in Traded Options amounted to 21,974-16,735 calls and 5,239 puts. TSB recorded 1,679 calls and 308 puts, while operators also displayed interest in Hanson Trust and British Petroleum which attracted 1,037 and 1,681 calls respectively. The FT-SE 100 index contributed 817 calls and 1,127 puts.

Traditional Options

- First dealings Oct 20 Nov 3 Nov 17
- Last dealings Oct 31 Nov 14 Nov 28
- Last declaration Jan 22 Feb 5 Feb 19
- For Settlement Feb 2 Feb 16 Mar 2

For rate indications see end of Unit Trust Service

Call options were taken out in TSB, Guinness Peat, Bristol Oil and Minerals, Febel International, Dee Corporation, Hughes Food, Hillsdown, London and Northern, Tay Homes, Allstate Exploration, Amstrad, Sears, A. G. Stanley and Robert Horne. No puts or doubles were reported.

FINANCIAL TIMES STOCK INDICES

	Oct. 21	Oct. 20	Oct. 17	Oct. 16	Oct. 15	Year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	82.56	82.26	82.36	82.77	82.75	84.47	94.51 (18/4)	80.39 (29/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	88.94	88.89	88.84	89.03	88.99	90.36	97.68 (7/7)	86.55 (23/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1,265.2	1,264.4	1,281.5	1,277.6	1,276.4	1,041.0	1,425.9 (3/4)	1,094.3 (14/1)	1,425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	290.5	288.9	298.2	306.3	309.9	253.8	357.8 (22/9)	185.7 (18/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.40	4.40	4.35	4.37	4.37	4.63				
Earnings Yld.% (full)	10.11	10.13	10.02	10.04	10.04	11.35				
P/E Ratio (net) (*)	12.12	12.10	12.02	10.04	10.04	10.88				
Total Bargains (Est.)	25,235	25,960	28,380	28,439	28,577	24,135				
Equity Turnover £m.	—	675.89	822.97	619.59	640.26	412.74				
Equity Bargains	—	44,253	49,091	41,376	35,316	22,431				
Shares Traded (mil).	—	381.53	476.8	318.2	336.4	199.3				

S.E. ACTIVITY

Indices	Oct. 20	Oct. 17
Gilt Edged Bargains	109.1	111.9
Equity Bargains	286.7	318.1
Equity Value	1366.1	1663.4
5-Day Average		
Gilt Edged Bargains	117.4	115.0
Equity Bargains	333.3	372.6
Equity Value	1300.7	1300.7

Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1262.5	1262.2	1263.4	1264.9	1264.8	1265.2	1265.6	1264.7

Day's High 1266.4. Day's Low 1260.0.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.64.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price	Day's change	Stock	Closing price	Day's change
Boots	230	+4	L.C.P.	184	+46
BP	675	+7	LASMO	128	+5
Cons. Gold Fields	672	+8	North Brit. Steel	51	+16
French Connection	210	−30	Rugby P. Cement	161	+4
GKN	258	+5	Sears	123½	+2½
Imp Cont Gas	553	+38	Shell Trans.	923	+10

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Mon's close	Day's change	Stock	No. of changes	Mon's close	Day's change
Cons Gold Flds	26	664	−35	Pilkington	15	483	−8
Sears	22	129	−1	Brit. & Comm.	14	308	−8
TSB (50p pd)	19	81½	−3	Cable & Wire	14	312	−3
Shell Trans	16	913	+5	GKN	14	252	−3
Brit Aerospace	13	450	−15	Glaxo	14	940	−12
Heath (C. E.)	15	559	+79	Beecham	12	416	−7

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	107	3	[illegible]
Corporations, Dom. and Foreign Bonds	15	3	49
Industrials	236	426	860
Financial & Properties	68	163	345
Oils	30	21	61
Plantations	0	2	[illegible]
Mines	56	48	79
Others	24	111	70
Totals	536	777	1,478

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (43)

AMERICANS (2) CPC Int., Transworld. BUILDINGS (1) Tilbury. STORES (1) LCP. ELECTRICALS (3) Checkpoint Europe, Mentor-Scand, Zygal Dynamics. ENGINEERING (4) Booth Ind, Bristol Channel Ship, Clayton, Tyack (W.A.). FOODS (1) ASDA-MFI. HOTELS (1) [illegible]. INDUSTRIALS [illegible]. NEWSPAPERS [illegible]. PROPERTY [illegible]. TEXTILES [illegible]. OVERSEAS TRADERS (3) [illegible].

NEW LOWS [illegible]

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Tuesday October 21 1986

Figures in parentheses show number of stocks per section

Columns: Index No. | Day's Change % | Est. Earnings Yield% (Max.) | Gross Div. Yield% (ACT at 29%) | Est. P/E Ratio (Net) | xd adj. 1986 to date | Mon Oct 20 Index No. | Fri Oct 17 Index No. | Thur Oct 16 Index No. | Year ago (approx.) Index No.

1 CAPITAL GOODS (211); 2 Building Materials (27); 3 Contracting, Construction (30); 4 Electricals (12); 5 Electronics (38); 6 Mechanical Engineering (60); 8 Metals and Metal Forming (7); 9 Motors (16); 10 Other Industrial Materials (21); 21 CONSUMER GROUP (185); 22 Brewers and Distillers (22); 25 Food Manufacturing (24); 26 Food Retailing (16); 27 Health and Household Products (10); 29 Leisure (27); 31 Publishing & Printing (15); 32 Packaging and Paper (14); 34 Stores (38); 35 Textiles (17); 36 Tobaccos (2); 41 OTHER GROUPS (87); 42 Chemicals (20); 44 Office Equipment (4); 45 Shipping and Transport (13); 47 Telephone Networks (2); 48 Miscellaneous (48); 49 INDUSTRIAL GROUP (483); 51 Oil & Gas (17); 59 500 SHARE INDEX (500); 61 FINANCIAL GROUP (118); 62 Banks (8); 65 Insurance (Life) (9); 66 Insurance (Composite) (7); 67 Insurance (Brokers) (9); 68 Merchant Banks (12); 69 Property (49); 70 Other Financial (24); 71 Investment Trusts (99); 81 Mining Finance (2); 91 Overseas Traders (13); 99 ALL-SHARE INDEX (732) — values [illegible]

	Index No.	Day's Change	Day's High	Day's Low	Oct 20	Oct 17	Oct 16	Oct 15	Oct 14	Year ago
FT-SE 100 SHARE INDEX ♦	1591.2	+1.0	1593.3	1585.3	1590.2	1610.0	1605.0	1607.5	1592.5	1331.5

FIXED INTEREST

	PRICE INDICES	Tues Oct 21	Day's change %	Mon Oct 20	xd adj. today	xd adj. 1986 to date
	British Government					
1	5 years	118.70	+0.21	118.45	—	9.57
2	5-15 years	128.94	+0.49	128.32	—	11.61
3	Over 15 years	134.68	+0.59	133.88	—	11.43
4	Irredeemables	151.12	+0.39	150.53	—	8.90
5	All stocks	127.62	+0.42	127.09	—	10.98
	Index-Linked					
6	5 years	112.76	+0.11	112.63	—	2.00
7	Over 5 years	110.29	+0.21	110.05	—	2.84
8	All stocks	110.65	+0.20	110.43	—	2.69
9	Debentures & Loans	111.09	+0.31	110.75	—	8.65
10	Preference	79.44	−0.46	80.00	—	5.16

AVERAGE GROSS REDEMPTION YIELDS (Tues Oct 21 / Mon Oct 20 / Year ago (approx.)) — values [illegible]

§Opening index 1586.6; 10 am 1589.0; 11 am 1590.9; Noon 1591.8; 1 pm 1591.2; 2 pm 1591.1; 3 pm 1591.4; 3.30 pm 1591.1; 4 pm 1590.5.

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

LONDON TRADED OPTIONS

Columns: Option | CALLS Oct. Jan. Apr. | PUTS Oct. Jan. Apr.; and Option | CALLS Nov. Feb. May | PUTS Nov. Feb. May

Option		Oct.	Jan.	Apr.	Oct.	Jan.	Apr.
Allied Lyons (*298)	300	4	20	30	6	17	20
	330	1	7	17	35	40	40
	360	0½	3	8	65	70	70

Option		Nov.	Feb.	May	Nov.	Feb.	May
Midland Bk (*529)	500	40	60	72	8	15	18
	550	12	28	42	30	37	42
	600	4	9	17	77	77	80

Remaining series (B.P., Cons. Gold, Courtaulds, Com. Union, Cable & Wire, Distillers, G.E.C., Grand Met., I.C.I., Land Sec., Marks & Spen., Shell Trans., Trafalgar House, TSB, Lonrho, Brit. Aero, BAT Inds., Barclays, Brit. Telecom, Cadbury Schweppes, Guinness, Imperial Gr., Ladbroke, LASMO, P. & O., Racal, R.T.Z., Vaal Reefs, Tr. 11¾% 1991, Tr. 11¾% 03/07, Beecham, Boots, BTR, Bass, Blue Circle, De Beers, Dixons, GKN, Glaxo, Hanson, Jaguar, Tesco, Thorn EMI, FT-SE Index) — values [illegible]

October 21. Total Contracts 21,974. Calls 16,735. Puts 5,239. *Underlying security price.

EUROPEAN OPTIONS EXCHANGE

Series (Gold C, Gold P, Silver C, $/FL C, $/FL P, ABN C, AEGON, AH, AKZO, AMEV, AMRO, ELS, GIST, HEIN, HOOG, KLM, NATN, NEDL, PHIL, RD, ROBE, UNIL) | Nov. Vol. Last | Feb. Vol. Last | May Vol. Last | Stock — values [illegible]

TOTAL VOLUME IN CONTRACTS: 35,511

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

[illegible]

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FRANCE

Oct. 21	Price Frs.	+ or −
Perrier	790	+22
Petroles Fra	433.5	+1.5
Peugeot S.A.	1,062	+17
Printemps (Au.)	471	+6
Radio tech	841	+1
Radoute	2,189	+39
Roussel-Uclaf	1,399	
Sefimeg	450	−2
Skis Rossignol	1,215	+14
Telemec Elect	3,740	+30
Thomson (CSF)	1,466	+24
Valeo	501	−9

GERMANY

ITALY

NETHERLAND

Oct. 21	Price Fls	+ or −
Ommeren (Van)	34.7	−0.7
Pakhoed	66	+0.5
Philips	46.7	+0.3
Robeco	90	−0.3
Rodamco	135.9	
Rolinco	81.1	
Rorento	49.6	
Royal Dutch	200.2	+1.4
Unilever	470.5	−6.1
VMF Stork	25.8	−0.4
VNU	319	−1
Wessanen	74.5	−0.4
West Utr Bank	50	

NORWAY

SPAIN

SWEDEN

SWITZERLAND

AUSTRALIA

AUSTRALIA (continued)

HONG KONG

JAPAN

JAPAN (continued)

SINGAPORE

SOUTH AFRICA

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO

Closing prices October 21

F = No voting rights or restricted voting rights.

MONTREAL

Closing prices October 21

Sales	Stock	High	Low	Close	Chng
38849	NatBk Cda	$28¼	27¾	28	−¼
53604	Noverco	$14	13⅝	14	+⅜
46207	Power Corp	$16¼	16	16	−¼
6755	Provigo	$17¾	17½	17½	
1825	RollandA	$15	14⅞	15	
106925	Royal Bank	$34⅛	33⅞	33⅞	−¼
2600	SteinbrgA	$36⅝	36¼	36¼	−½

Total Sales 3,916,238 shares

Indices

NEW YORK—DOW JONES

STANDARD AND POORS

N.Y.S.E. ALL COMMON

NYSE-Consolidated 1500 Actives

Advances 741 Declines 729

TORONTO

	Oct 21	Oct 20	Oct 17	Oct 16	1986 High	1986 Low
Metals & Minls	2,116.86	2,138.7	2,135.22	2,138.1	2,442.85 (21/3)	1,917.4 (5/8)
Composite	3,015.96	3,023.1	3,040.80	3,020.8	3,129.11 (18/4)	2,754.6 (17/2)
MONTREAL Portfolio	1,526.21	1,528.34	1,540.80	1,537.72	1,623.33 (18/4)	1,385.6 (22/1)

* Indicates pre-close figure

	Oct. 21	Oct. 20	Oct. 17	Oct. 16	1986 High	1986 Low
AUSTRALIA All Ord. (1/1/80)	1572.1	1561.5	1567.5	1555.4	1572.1 (21/10)	1010.8 (2/1)
Metals & Mnls. (1/1/80)	718.7	707.2	718.1	706.9	718.7 (21/10)	481.1 (20/5)
AUSTRIA Credit Aktien (30/12/84)	230.27	230.15	232.45	230.91	266.94 (25/4)	226.56 (5/8)
BELGIUM Brussel SE (1/1/84)	3824.34	3852.24	3854.88	3780.5	4654.35 (9/8)	2768.91 (15/1)
DENMARK Copenhagen SE (3/1/83)	198.25	196.45	195.75	194.8	258.79 (15/4)	189.28 (8/10)
FRANCE CAC General (31/12/82)	388.5	388.5	378.5	377.6	412.5 (1/9)	287.9 (2/1)
Ind Tendance (31/12/82)	141.4	141.1	143.0	145.1	158.9 (29/8)	101.8 (2/1)
GERMANY FAZ Aktien (31/12/58)	652.47	647.81	651.64	660.87	756.88 (17/4)	585.92 (22/7)
Commerzbank (1/12/53)	1951.8	1954.9	1950.0	1974.2	2278.8 (17/4)	1782.4 (22/7)
HONG KONG Hang Seng Bank (31/7/64)	2258.29	2227.76	2254.89	2277.77	2289.65 (15/10)	1559.94 (18/6)
ITALY Banca Comm Ital. (1972)	777.22	777.52	1775.85	765.75	998.20 (20/6)	454.87 (24/1)
JAPAN** Nikkei (16/5/49)	16205.8	16523.4	6781.34	16871.89	18936.2 (20/8)	12881.5 (21/1)
Tokyo SE New (4/1/68)	1357.87	1391.49	1405.54	1417.22	1583.35 (20/8)	1025.85 (21/1)
NETHERLANDS ANP-CBS General (1970)	272.0	274.7	275.8	274.9	301.0 (5/8)	248.4 (5/8)
ANP-CBS Indust (1970)	271.4	274.8	276.2	275.	305.9 (18/8)	234.8 (5/8)
NORWAY Oslo SE (4/1/83)	371.44	375.04	372.48	379.56	402.91 (16/1)	331.61 (4/8)
SINGAPORE Straits Times (30/12/66)	867.99	903.56	902.28	907.87	907.87 (16/10)	563.34 (28/4)
SOUTH AFRICA JSE Gold (28/9/78)	—	1865.0	1963.0	1948.0	2361.8 (19/9)	1166.1 (21/4)
JSE Indust (28/9/78)	—	1389.0	1372.8	1370.0	1392.0 (25/9)	1019.5 (2/1)
SPAIN Madrid SE (30/12/85)	195.18	198.34	198.21	198.96	230.79 (6/10)	180.85 (3/1)
SWEDEN Jacobson & P (31/12/56)	2477.87	2499.82	2502.85	2480.01	2820.82 (12/6)	1729.57 (29/1)
SWITZERLAND Swiss BankCpn (31/12/58)	580.5	582.5	582.7	585.4	625.5 (8/1)	487.2 (4/8)
WORLD M.S. Capital Intl.(1/1/70)	—	337.9	342.1	345.6	368.8 (1/8)	249.8 (25/1)

** Saturday October 18: Japan Nikkei (c). TSE (c).

Base values of all indices are 100 except Brussels SE—1,000. JSE Gold—255.7. JSE Industrial—264.3, and Australia. All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. U Unavailable.

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 41

Stock		Sales (Hnds)	High	Low	Last	Chng
PacoPh		17 679	16¼	15¾	16⅝	+ ⅞
Windmr		44	6	5¾	6	+ ¼
WOW		1717	24½	23	24	+ ½
Worthgs	.48	17 126	26¾	26⅜	26⅝	
Wyman	.80	129	19¾	19¼	19¼	
Wyse		11 336	14¼	13¾	14	
X Y Z						
XLData		13 1	17½	17½	17½	− ¼
Xicor		201	4⅞	4⅝	4⅝	
Xidex		30 707	15¼	14¾	14¾	− ⅜
Xyvan		163 519	13	12¼	13	+ ¼
YlowFs	.62	14 1044	39	38⅞	38⅞	− ⅛
ZenNtl	.80	20 129	23½	23¼	23½	
ZionUt	1.44	11 42	46¾	46¼	46¼	− ¼
Zondvn		110 292	27½	26½	27½	+ ⅞

LONDON

Chief price changes
(in pence unless otherwise indicated)

RISES		
Treas. 13pc '90	£104¹³⁄₁₆	+ ⁵⁄₁₆
Exch. 10½pc '05	£99⅝	+ ¹¹⁄₁₆
Berkeley Expln.	52	+ 6
Booth Inds.	178	+20
Britoil	143	+ 8
Imp. Cont. Gas	553	+38
LCP	184	+46
MIM Hldgs.	119	+10
Rugby Port Cem.	161	+ 4
Shell Trans.	923	+10
Smith N Court	166	+ 8
Tilbury	178	+12
FALLS		
Argyll Group	315	− 8
Crown House	183	−10
Dee Corp.	208	− 7
Diploma Invs.	186	− 9
Exco Intl.	240	− 8
French Conn	210	−30
GT Japan	215	− 7
Lex Service	311	− 8
Low & Bonar	246	−17
Norton Opax	140	− 8
Prestwick	40	− 9
Sinclair (Wm)	200	−10
Sunrie Cloth	21	− 6
Ward White	312	−18

TOKYO

Anxieties provoke steep slide

DEEPENING anxiety and dumping by individual investors drove equities down steeply in Tokyo *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average closed 317.60 lower at 16,205.77 after an earlier drop to below 16,000. Volume expanded from 254.69m to 361.40m shares. Declines outnumbered advances by 641 to 145, with 128 issues unchanged.

The late recovery was due to buying of some blue-chip stocks by big securities companies and investment trusts.

While institutional investors stayed on the sidelines, individual investors continued small-lot selling, discouraged by the overnight fall on Wall Street. When the average fell below 16,000, some major dealers and investment trusts bought blue-chip and giant-capital stocks.

Large capitals continued to fall, further dampening enthusiasm. Tokyo Electric Power dropped Y570 to Y6,920. Tokyo Gas headed the active stock list, with 18.51m shares traded, and shed Y46 to Y949.

Ishikawajima-Harima Heavy Industries, second busiest with 14.82m shares, lost Y23 to Y465, Nippon Kokan, third with 12.66m shares, Y3 to Y237, Mitsubishi Heavy Industries fourth with 12.10m shares, Y21 to Y434, and Kawasaki Steel Y1 to Y189.

Electric Power and gas utilities declined almost across the board, with Kansai Electric Power slumping Y280 to Y3,100.

Major domestic demand-related stocks also feel sharply. Among general contractors, Kajima slid Y20 to Y1,090 and Taisei Y3 to Y775. Properties slipped, with Mitsubishi Estate falling Y90 to Y2,100 and Mitsui Real Estate Development Y70 to Y1,620.

Financial stocks weakened on a wide front: Tokio Marine and Fire Insurance was down Y80 to Y1,440 and Nomura Securities Y180 to Y2,520.

By contrast, small-capital blue-chip stocks firmed on late buying. Canon added Y20 to Y1,090, Taiyo Yuden, an electrolytic capacitor and ferrite manufacturer, Y70 to Y1,230, Kyushu Matschushita Electric Y80 to Y2,920 and Hoya Y100 to Y2,290.

After the close, the Tokyo Stock Exchange said it would immediately ease restrictions on margin trading by raising the assessment rate of collerateral in margin transactions from 50 to 60 per cent.

But in view of the large losses suffered by investors in large-capital stock trading, officials at big securities companies said that the measure would not have a big impact on the weak market.

Bonds eased, reflecting an overnight sluggish performance in New York. The yield on the bellwether 6.2 per cent government bond due in July 1995 dropped from 4.985 to 4.970 per cent following a Y50bn buying operation by the Bank of Japan in the morning. But the yield later climbed to 5.065 per cent and fell again on bond futures, ending at 5.015 per cent.

Institutions kept a low profile, awaiting preliminary figures for US GNP for the third quarter of this year.

Continued from Page 42

EUROPE

lines, volume is expected to remain low in coming days.

Banks and insurers moved lower, bonds posted modest losses.

Milan finished lower after a day of active trading marked by demand for selected insurers. Montedison lost ground following an announcement by Mr Carlo De Benedetti that he had bought a stake in the group and news that it had broken off talks with Swedish biotechnology concern Fermenta. Montedison closed L75 lower at L2,915.

Industrials were mostly easier with Fiat slipping L127 to L15,350 while Bastogi slipped L4 to L761. Against the trend Olivetti gained L50 to L16,400. Snia held steady at L5,450.

Paris closed mostly higher in active trading that ended the market's slide of the past five sessions.

Among major French shares to post gains were Moulinex which gained FFr 4.20 to FFr 60, Lafarge Coppée, FFr 48 to FFr 1,260 and Pernod Ricard, FFr 22 to FFr 962.

Bouygues gained FFr 25 to FFr 1,295 on news of its takeover of the Aux Trois Quartiers store group.

Stockholm was weaker in response to the public sector strike. Oslo was listless in low turnover. Brussels turned quietly lower despite the start of the new account and constructions led Madrid lower.

SOUTH AFRICA

IMPROVED demand allowed gold shares to recover much of their recent losses in Johannesburg, and they closed firmer amid a steady bullion price. Industrials were mixed to firmer with most leaders showing gains.

Vaal Reefs closed R10 up at R382. Other minings followed the trend with Impala and Rustenberg platinum both higher.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26 1/2	14 3/8	AAR s	.44	1.9	17	100	23 7/8	23	23	-3/4
30	21 3/4	ADT	.92	3.5		91	26 1/4	25 3/4	26	
33	13 1/2	AFG s	.08	.3	14	120	26 1/2	26 1/2	26 1/2	
25 3/8	13 7/8	AGS			14	149	19 3/4	19	19 1/2	+3/4
15	9 7/8	AMCA			244	13	10 1/8	d	9 3/4	9 3/4
62 7/8	38	AMR			13	6210	58 1/4	57	57 7/8	-1
27 1/2	23 1/4	ANR pf 2.67		10.		2	26	25 7/8	25 7/8	
13 3/8	9 3/4	APL			6	103	13 1/2	12 3/4	12 3/4	-5/8
16 3/4	10	ARX	.71t	6.4	10	20	11 1/4	11	11 1/8	-1/8
41 1/2	28 3/4	ASA	2a	5.3		221	37 7/8	37 1/2	37 7/8	
18 3/8	9 3/4	AVX		3.0		170	10 3/4	10 1/2	10 3/4	+1/4
32	23 7/8	AZP	2.72	9.3	8	1015	29 1/2	29 1/4	29 1/4	-1/4
55	38	AbtLb s	.84	1.9	19	3939	44	43 3/4	43 3/4	+3/8
32	22 1/2	AccoWd .56		2.2	17	139	26	25 7/8	26	
14 7/8	9	AcmeC .40		3.6		33	11 1/8	10 3/4	11 1/8	+1/2
9 1/4	6 1/4	AcmeE .32b		5.0	14	33	6 3/8	6 3/8	6 3/8	
22 3/8	17 1/4	AdaEx 1.90e		9.4		88	20 1/8	20	20 1/8	+1/8
33 3/8	17 3/8	AdmMl .40		1.6	12	4	24 3/4	24 1/2	24 5/8	+1/8
20 3/8	12 1/8	AdvSyst .45t		10.	12	223	14	13 7/8	13 7/8	-1/8
32 7/8	12 5/8	AMD				2114	13 3/4	13 1/4	13 3/8	-1/8
12 5/8	5 5/8	Adobe n				57	6 1/8	6	6	
18 3/8	13 3/4	Adob pf 1.84		12.		2	15 1/8	15 1/8	15 1/8	+1/8
20 1/4	15 1/4	Adob pf 2.40		14.		64	17 7/8	17 3/8	17 3/8	-1/4
18 3/8	7 5/8	Advest .12a		.9	10	173	13 5/8	13 1/4	13 1/4	-3/8
66 7/4	46 1/4	AetnLf 2.64		4.8	9	2736	56 1/8	55 1/4	55 1/2	-1/2
56 1/2	51 1/2	AetL pf4.69e		8.9		8	52 3/4	52 5/8	52 3/4	+1/8

Continued on Page 41

NYSE COMPOSITE CLOSING PRICES

Continued from Page 40

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
13⅞	12½	PerkF n				147	12¾	12½	12½	−⅛
38⅞	23	PerkEl .60		2.2	17	675	26¾	26⅜	26¾	
8¼	6¾	Prmian.79e		12.	6	79	6½	6⅜	6⅜	−⅛
20⅞	12⅞	PeryDr .22		1.6	17	58	14¼	13⅞	13⅞	−¼
35¾	21¼	Petrie s .70		2.6	16	56	27¾	27⅜	27⅜	−½
31⅞	22¾	PetRs 3.51e		11.		65	30⅝	30½	30⅝	
19⅞	16	PetRs pf1.57		7.9		27	19¾	19½	19¾	+¼
3⅝	1⅞	Ptrlnv .45e		24.		54	2	1⅞	1⅞	
72⅞	44½	Pfizer 1.64		2.8	15	1944	59⅝	58⅝	59⅛	−⅜
32½	15	PhelpD			36	1728	22⅛	21⅛	21¾	+⅝
63	48¾	Phelp pr 5		9.5		20	52¾	52½	52¾	+¼
24	14⅞	PhilaEl2.20		10.	8	4207	22⅛	21⅞	22	
42	29	PhilE pf3.80		9.8		z300	38¾	38¾	38¾	−¼
50¼	34½	PhilE pf4.68		9.7		z200	48⅝	48⅝	48⅝	
92½	64	PhilE pf8.75		10.		z230	87¼	86⅝	86⅝	
13⅞	10½	PhilE pf1.41		11.		101	13	12½	13	
13⅞	9¾	PhilE pf1.33		11.		50	12⅝	12¼	12⅝	+⅛
83¾	32	PhilE pf7.85		9.9		z1500	79½	77½	79½	−¼
12⅞	9⅝	PhilE pf1.28		11.		29	12¼	12	12⅛	
134¼	119	PhilE pf17.13		14.		z320	127	126	126	−1½
124	105⅛	PhilE pf15.25		13.		z120	116	116	116	
99½	74	PhilE pf9.52		9.7		z20	98	98	98	+¾
99	89	PhilE pf9.50		10.		z920	94	94	94	
83½	57½	PhilE pf7.80		9.8		z280	80½	79½	79½	−½
18⅝	12⅝	PhilSb s .94		5.3		28	17⅞	17⅝	17⅞	
78	36⅛	PhilMr s2.30		3.3	12	4658	71⅛	70¼	70⅜	−1⅛
19	9⅞	Philpl s .36		2.6	12	1471	14⅛	13⅞	14	−¼
13½	8¼	PhilPet .60		5.6	10	1964	10¾	10½	10⅝	
25½	19¼	PhlPt pf2.02e		8.7		325	23⅝	23⅛	23⅛	−⅜
41⅞	27⅛	PhilVH .40		1.0	15	21	40¼	40	40¼	
48⅞	29	PiedA s .32		.7	13	2182	47⅞	46	46⅝	−⅞
59¼	49½	PiedA pf				412	59	58¾	58¾	+¼
[illegible]										
12⅞	9¾	SJuanR				15	11⅞	11¼	11⅞	−¼
32¼	22⅝	SAntRl2.04		7.2	17	326	28⅝	28⅜	28½	−⅛
26⅞	16½	SFeEP n2.88		13.		156	21⅞	21¼	21½	−⅜
29⅝	26¼	SFeSoP 1		3.3	20	1800	30⅛	29¾	29⅞	−⅛
73⅝	44¾	SaraLe1.60		2.5	16	627	64¼	63¾	64⅛	+¼
42¼	33⅝	SgWel 1.60		3.8	17	14	42	42	42	
19	15	SaulRE .20		1.1	46	5	18	18	18	−¼
22¼	9⅞	SavEP s .88		4.3	13	257	20⅝	19⅞	20⅝	+⅝
46¼	21	SavE 1.34		3.2		5	42¼	41¼	42¼	+1¼
14½	11	SavE pf1.28		9.4		13	13⅝	13⅝	13⅝	+⅛
5⅞	1⅞	Savin				19	2	1⅞	2	+⅛
[illegible]										
15	38⅝	TecoEn2.30		6.5	12	211	60½	59⅝	60⅝	
22¼	7⅝	Tultex s .32		1.9	14	70	17⅝	17	17	−½
19	14⅛	TwinDs .70		4.5		3	15½	15½	15½	−¼
37¾	19	TycoL s .40		1.1	18	259	36	35½	35⅝	−⅛
17¾	11¼	Tyler .40		3.4	17	142	11⅞	11⅝	11¾	+⅛
		U U U								
14⅞	45	UAL	1	1.7		2882	58	56¾	57⅝	+⅝
14⅞	13¼	UCCEL			24	207	u25¾	24¾	25¾	+1⅛
15¾	14⅞	UDC s	2	9.1	5	259	22	21¾	22	+⅛
15¾	20	UGI	2.04	7.8		190	26½	26¼	26¼	
15¾	9	UNCInc			12	24	10¼	10⅛	10¼	+⅛
[illegible]										
17¼	8	Wilfred .12		1.0	13	6	12⅜	12	12⅜	+¼
18½	7⅞	WilcrG.15		1.1	7	19	13¾	13⅝	13⅝	−¼
33½	17⅞	Willam1.40		7.5	170	599	19⅛	18¾	18¾	−¼
12¼	3⅝	WilmEl			33	656	6⅝	5⅞	6½	+¾
7⅛	4	WilshrO10b		2.0	21	18	5¼	5⅛	5⅛	
53⅞	38¼	WinDix1.80		4.1	16	57	44½	43¾	43⅞	−⅝
20¾	9	Winnbg .20		2.2	18	930	9¼	9	9⅛	−⅛
6⅝	3½	Winner				18	3¾	3⅝	3⅝	−¼
10⅝	4½	WinterJ10e		1.5	16	2	7	6⅞	6⅞	−⅛
64½	30¾	WiscEP2.88		4.9	11	245	55¼	54⅝	54⅞	−⅝
104	78	WisE pf8.90		8.7		z20	102½	102½	102½	+½
101¾	66	WisE pf7.75		7.6		z5050	u102¼	101	102¼	+2¼
28½	23¼	WisG pf2.55		9.1		2	28	28	28	
60¼	28⅞	WiscPL2.96		5.5	13	92	54	53⅝	54	+½
63	35½	WiscPS 3		5.8	12	62	51¾	51½	51⅝	−⅛
38½	22	Witco s 1.12		3.3	12	646	34½	33½	34	−½
13⅞	6⅝	WolvrW12j				96	9½	9⅛	9⅜	+¼
49	25¼	Wlwth s1.12		2.7	14	2556	42¾	41⅝	42	−⅜
137	72½	Wolw pf2.20		1.8		10	121½	119½	119½	−3½
6⅝	2	WrldAr			2	21	3⅞	3¾	3¾	−¼
19⅝	19	WrldVl n				65	19	19	19	−⅛
51	28¾	Wrigly s .96		2.2	19	69	45	44¼	44⅝	−⅝
4⅞	1⅞	Wurltzr				146	2	1⅞	2	+¼
17½	10⅞	WyleLb .32		2.8	28	15	11½	11⅜	11½	+⅛
25¼	15	Wynns .60		2.7		127	22⅝	22	22¼	−¼
		X Y Z								
72¼	47⅞	Xerox 3		5.6	16	1690	54	53⅛	53½	−⅝
58¼	54	Xerox pf5.45		9.6		8	56½	56⅜	56½	
28¼	20⅞	XTRA .64		2.8		142	23⅝	23⅛	23¼	
18¾	13½	Yorkln n				215	18⅝	18	18⅝	+⅜
39	27	ZaleCp 1.40		4.2		64	33⅞	33	33	−⅜
9⅞	2½	Zapata .03j				970	2⅝	d	2⅝	+⅛
43⅞	20¾	Zayre s .32		1.4	15	2357	23¼	22⅝	22¾	
28⅞	16¼	ZenithE				439	19¼	18⅞	18⅞	−⅞
18¾	6	ZenLb s			13	738	9¼	9	9⅛	−¼
22⅝	12⅝	Zero s .29		1.9	15	442	14⅞	14½	14⅞	+⅜
45¾	32¾	Zurmin 1.32		3.5	16	55	37⅝	37⅜	37½	−¼
10⅝	10	Zweig n				902	10⅛	10	10	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in-full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, closing prices

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 39

FINANCIAL TIMES

WORLD STOCK MARKETS

WALL STREET

Fresh falls confirm lack of strength

DESPITE some good corporate earnings and a modest rally in credit markets, stock prices drifted lower on Wall Street yesterday, *writes Roderick Oram in New York.*

Bond prices recovered some of their sharp losses suffered on Monday but the pick-up was attributed more to bargain hunters than improved sentiment.

The Dow Jones industrial average closed down 5.34 points at 1,805.68. The New York Stock Exchange composite index finished off 0.04 of a point at 135.98. Trading volume was moderate at 110.25m against 109m on Monday with advancing issues outnumbering declining by 786 to 715.

The two-day decline in share prices confirmed the market's inability to break out of the narrow trading range in which they have moved since the precipitious fall in mid-September.

Yesterday, blue chips performed worse than the market as a whole. Allied Signal was off $⅛ at $40⅛, International Paper eased $⅝ to $69½, Merck was off $¾ at $106⅞, McDonald's fell $1½ to $58¼ and General Electric fell $⅛ to $75¾.

IBM, which launched some new products yesterday and announced its withdrawal from South Africa, gained $⅞ to $121¼. General Motors, which is also selling out to South African interests, was ahead $1⅛ to $67½.

Among companies reporting higher third-quarter profits, Citicorp rose $⅞ to $48¾, Wells Fargo gained $2⅛ to $106⅛, Sears, the retailer which boosted profits thanks to its financial services, gained $¾ to $42⅝ and USAir rose $⅝ to $36¾.

But share prices of some companies fell despite better profits. Polaroid disappointed the market with net earnings rising to 77 cents a share against 48 cents and its shares dropped $2⅞ to $68⅛, Xerox fell $⅝ to $53⅞ despite returning strongly to the black.

Similarly, Cray Research fell $5½ to $76, Martin Marietta fell $1⅜ to $40⅛

The Tokyo stock market report today appears on Page 39

and GTE slipped $⅛ to $56¾ – all after turning in higher income.

Enron, the pipeline and energy group, said it would buy back up to 10m of its shares, equal to 20 per cent of the total. Its share price rose $⅝ to $40⅞.

Viacom was unchanged at $44⅞. Its largest shareholder, National Amusements with an 18.3 per cent stake, said it may contest a management buyout with an offer of its own.

Harnischfeger, which makes cranes and material handling equipment, was unchanged at $18⅞. A private investment group said it had a 7.7 per cent stake and may seek control.

Among other shares involved in takeover speculation and leading the list of most active issues, USX fell $⅝ to $26⅝, Goodyear rose $1⅞ to $42¼, E. F. Hutton fell $½ to $45⅞, Public Service of Indiana was unchanged at $19⅛ and Transworld, which reported lower third-quarter earnings, was off $⅛ at $35⅞.

First City Bancorp of Texas rose $⅝ to $5¾. It said it planned to omit its 10 cents a share dividend.

Hasbro, the leading toy manufacturer, fell $1½ to $20⅝ after losing $3⅝ on Monday. Just before the market closed it reported slightly lower third-quarter earnings.

Texas Air, which will become the largest US carrier when it completes its takeovers of Eastern and People Express, fell $¼ to $33¾ after it said it planned to offer 4m common shares.

Credit markets rallied taking their lead from abroad where bargain hunters were buying after the steep fall in prices on Monday. Additional factors were short covering by professional traders and the prospect that oil prices will soften in the Opec meeting in Geneva fails to agree production quotas.

The price of the 7.25 per cent benchmark Treasury long bond due in 2016 rose ¾ of a point to 93 13/16 yielding 7.83 per cent. Similar gains were seen throughout the maturity range.

The yield on three-month Treasury bills rose 2 basis points to 5.30 per cent and on six-month bills by 3 basis points to 5.38 per cent while year-bills eased 1 basis point to 5.51 per cent.

The Federal Reserve Board was making system repurchases for what were believed to be technical rather than policy reasons when the Fed funds rate stood at 5 13/16 per cent.

With no economic news or Treasury issues yesterday, the market was focusing on the third-quarter gross national product figure due out today. Any real annual growth rate of more than, say, 2.5 per cent will likely cause a weakening of bond prices because investors will believe the Fed will be less inclined to cut its discount rate.

EUROPE

Quicker pace sees modest advance

THE PACE of activity quickened on the European bourses yesterday but overall turnover remained relatively light and price changes were modest.

Frankfurt was again the main point of interest with the Commerzbank index recovering 16.1 to 1,951.0 in lacklustre trading. The largely technical recovery from Monday's fall was partly aided by the firmer dollar and remarks by Bundesbank president Karl Otto Pöhl that a fresh drop in the dollar would endanger European growth prospects. The dollar rose to DM 1.9935 at its Frankfurt fixing compared with the previous quote of DM 1.9788.

Banks regained their composure after steady losses stemming from the uncertainty associated with the troubled Neue Heimat housing group. Commerzbank showed the best gain – a rise of DM 4 to DM 305.50 – while Dresdner closed DM 2 higher to DM 388.

Daimler led a mixed car sector higher with its DM 23 jump to DM 1,216 while VW retreated a further DM 4.50 to DM 460. Electricals, which resisted the downturn on Monday, continued to attract steady buying. Siemens firmed DM 3 to DM 687 and AEG posted a more impressive DM 8 advance to DM 311.

Kaufhof suffered another bruising round among mixed retailers. The chain store group lost a further DM 7.40 to close at DM 519.60

Bond prices finished narrowly mixed with gains of up to 20 basis points and losses of up to 35 basis points. Foreign demand was spurred by the firmer dollar.

The Bundesbank's market balancing operations amounted to sales of DM 119.9m worth of paper after buying DM 40.1m on Monday. The average yield on public authority paper rose one basis point to 6.01 per cent while early calculations by WestLB showed 10-year bank paper yields rising four basis points to 7.01 per cent.

Amsterdam was little changed as investors pondered the Wall Street response to today's third-quarter US gross national product figures. The steadier dollar had little impact.

Among internationals, Royal Dutch rose Fl 1.40 to Fl 200.20 on a buy recommendation and Akzo edged 10 cents lower to Fl 144.70. Photocopier group Oce van der Grinten suffered a sharp Fl 9 drop to Fl 494.

Bond prices were mixed following scattered domestic institutional buying.

Zurich closed slightly lower across the board in quiet trading, following the overnight downturn on Wall Street.

Price movements remained in a narrow range and falls were stopped by low interest rates and a firm dollar. With institutions reportedly shifting to the side-

Continued on Page 39

HONG KONG

THE FIRST gain in four sessions followed a day of see-saw trading in Hong Kong, with the Hang Seng index rising 10.53 to 2,238.29 at the close.

Speculation that Hongkong Land would sell its Excelsior Hotel to the New Zealand-based Rainbow for HK$1bn started the day on a firm note, but institutional profit-taking took prices down by mid-day.

A rebound near the close then resulted in an overall daily gain.

CANADA

ACTIVE trading saw a retreat in Toronto, stretching the previous day's 18 point loss. Dome Petroleum however, rose 3 cents to C$1.18. The company said holders of three series of US denominated notes and debentures voted to waive interest and principal payments from the end of October to the end of June, 1987.

Montreal also fell in heavy trading.

LONDON

GILTS provided one of the few bright spots in lacklustre trading in London, where the FT Ordinary index ended 0.8 higher at 1,265.20. The broader-based FT-SE 100 index gained 1.0 to close at 1,591.2.

Equities were generally sluggish although oils were firmer, largely on optimistic reports from the Opec meeting. Britoil gained 8p to 143p.

The star feature of the session was the late bid of 530p a share or £750m for Imperial Continental Gas from Gulf Resources.

Chief price changes, Page 39; Details, Page 38; Share information service, Pages 36, 37

AUSTRALIA

SELECTIVE BUYING among quality industrials combined with a stronger gold sector to push Sydney to a record and the All Ordinaries index overtook the previous top level to close 11.40 higher at 1,372.60.

Food, insurance and media issues attracted strong support, on optimism fuelled by a stronger currency.

In mines Kidston and Emperor gained 30 cents each to A$8.00 and A$6.00 respectively.

Among gold miners, CRA put on 6 cents to A$8.10 while MIM gained 24 cents to A$2.68.

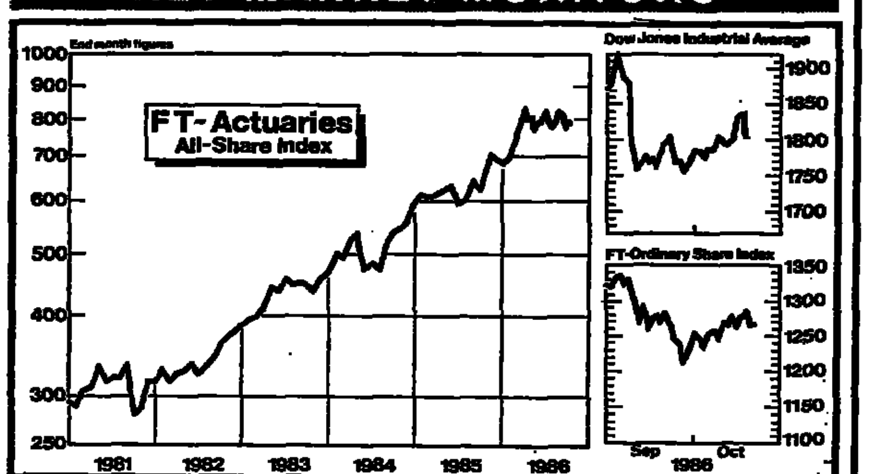
SINGAPORE

PROFIT-TAKING and the absence of fresh buying orders saw prices weaken over a broad front in Singapore, where trading was less active than in recent days and the Straits Times industrial index closed 15.57 lower at 887.99.

Many investors opted for the sidelines ahead of Friday's Malaysian budget but others chose to liquidate stock, causing several blue chip and trustee issues to post moderate losses.

Selangor Properties, the most active issue, dropped 7 cents to S$1.28 as did Public Bank to S$1.27.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Oct 21	Previous	Year ago
NEW YORK			
DJ Industrials	1,805.68	1,811.02	1,364.14
DJ Transport	817.63	815.25	658.94
DJ Utilities	199.68	199.33	154.95
S&P Composite	235.88	235.97	186.96
LONDON	Oct 21	Previous	Year ago
FT Ord	1,265.2	1,264.4	1,041.0
FT-SE 100	1,591.2	1,590.2	1,340.3
FT-A All-share	789.42	790.19	649.19
FT-A 500	862.91	863.16	709.34
FT Gold mines	290.5	288.9	253.8
FT-A Long gilt	10.53	10.39	10.11
TOKYO			
Nikkei	16,205.77	16,523.37	13,023.2
Tokyo SE	1,357.87	1,391.49	1,032.28
AUSTRALIA			
All Ord.	1,372.1	1,361.3	1,040.8
Metals & Mins.	719.7	707.2	526.9
AUSTRIA			
Credit Aktien	230.27	230.13	199.49
BELGIUM			
Belgian SE	3,824.34	3,832.24	2,698.25
CANADA			
Toronto			
Metals & Minls	2,115.80	2,130.7	1,828
Composite	3,015.90	3,023.1	2,644.4
Montreal			
Portfolio	1,525.21	1,528.34	128.31
DENMARK			
SE	198.23	198.43	234.05
FRANCE			
CAC Gen	366.50	366.30	211.4
Ind. Tendance	141.40	141.10	76.6
WEST GERMANY			
FAZ-Aktien	652.47	647.81	568.18
Commerzbank	1,951.00	1,934.90	1,675.9
HONG KONG			
Hang Seng	2,238.29	2,277.76	1,666.06
ITALY			
Banca Comm.	777.22	777.52	397.73
NETHERLANDS			
ANP-CBS Gen	272.00	274.70	216.0
ANP-CBS Ind	271.40	274.60	192.2
NORWAY			
Oslo SE	371.44	373.04	372.03
SINGAPORE			
Straits Times	887.99	903.56	777.65
SOUTH AFRICA		Prev	Year Ago
JSE Golds	—	1,865.0	1,117.7
JSE Industrials	—	1,369.0	977.4
SPAIN			
Madrid SE	195.18	196.34	92.09
SWEDEN			
J & P	2,477.67	2,498.82	1,400.68
SWITZERLAND			
Swiss Bank Ind	560.30	562.50	492.5
WORLD	Oct 17	Previous	Year ago
MS Capital Int'l	337.9	342.10	228.5

COMMODITIES

(London)	Oct 21	Prev
Silver (spot fixing)	403.40p	388.05p
Copper (cash)	£927.50	£930.50
Coffee (Nov)	£2,227.50	£2,197.50
Oil (Brent blend)	$14.40	$14.15

GOLD (per ounce)

	Oct 21	Prev
London	$425.25	$426.875
Zürich	$425.05	$426.25
Paris (fixing)	$425.25	$418.33
Luxembourg	$426.80	$420.20
New York (Dec)	$427.80	$428.90

* Indicates latest pre-close figure

CURRENCIES

	US DOLLAR		STERLING	
(London)	Oct 21	Previous	Oct 21	Previous
$	–	–	1.4365	1.4305
DM	1.9880	1.9870	2.8550	2.8425
Yen	155.15	154.75	222.75	221.50
FFr	6.5100	6.5075	9.3525	9.3100
SFr	1.6295	1.6305	2.3400	2.3325
Guilder	2.2465	2.2455	3.2275	3.2125
Lira	1,376.5	1,376.5	1,977.5	1,969
BFr	41.30	41.25	59.35	59.00
C$	1.3915	1.3915	1.9985	1.994

INTEREST RATES

	Oct 21	Prev
Euro-currencies (3-month offered rate)		
£	11⅛	11 3/16
SFr	4 1/16	4 1/16
DM	4⅝	4⅝
FFr	8½	8⅝
FT London Interbank fixing (offered rate)		
3-month US$	6⅛	6⅛
6-month US$	6⅛	6⅛
US Fed Funds	5 13/16*	5 13/16
US 3-month CDs	5.75*	5.975
US 3-month T-bills	5.28*	5.45

US BONDS

Treasury

		October 21* Price	Yield	Prev Price	Yield
6⅛	1988	100 1/32	6.355	100 29/32	6.441
7¼	1993	99 19/32	7.327	99 1/32	7.433
7⅜	1996	98 29/32	7.536	98 5/32	7.650
7¼	2016	93 13/32	7.828	92 19/32	7.921

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return index	Oct 21* Day's change	Yield	Day's change
1–30	155.71	+0.53	7.19	−0.06
1–10	149.49	+0.36	6.84	−0.06
1– 3	140.63	+0.14	6.36	−0.04
3– 5	152.27	+0.42	7.0	−0.08
15–30	178.08	+1.10	8.38	−0.06

Source: Merrill Lynch

Corporate	October 21* Price	Yield	Prev Price	Yield
AT & T				
3⅞ July 1990	91.68	6.45	91.68	6.45
SCBT South Central				
10⅞ Jan 1993	106⅞	9.421	106.75	9.448
Phibro-Sal				
8 April 1996	97¼	8.427	97	8.489
TRW				
8⅝ March 1996	101⅝	8.491	101.375	8.687
Arco				
9⅞ March 2016	104⅛	9.416	104.125	9.455
General Motors				
8⅛ April 2016	88⅝	9.242	88.50	9.270
Citicorp				
9⅝ March 2016	95⅝	9.816	95.5	9.844

Source: Salomon Brothers
Yield calculated on a semi-annual basis

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT)				
8% 32nds of 100%				
Dec	94–15	94–20	94–02	93–21
US Treasury Bills (IMM)				
$1m points of 100%				
Dec	94.72	94.74	94.70	94.69
Certificates of Deposit (IMM)				
$1m points of 100%				
Sep	n/a	n/a	n/a	93.68
LONDON				
Three-month Eurodollar				
$1m points of 100%				
Dec	93.92	93.94	93.90	93.90
20-year Notional Gilt				
£50,000 32nds of 100%				
Dec	110–11	110–13	109–22	109–17

* Latest available figures

FINANCIAL TIMES SURVEY

Advertising

Advertising revenue is set to scale new heights this year and the upswing is largely across the board as the result of a consumer boom

Takeovers prove infectious

By Feona McEwan

ONE POCKET of the British economy that continues to amaze observers by its enduring good health is the advertising industry. Despite the horror stories (and in stark contrast to them) of record unemployment, high interest rates and falling exports, agencies and media owners are basking in what the Advertising Association records as "raging boom conditions."

Record expenditure for 1985 topped £4.4bn (9.4 per cent up on the previous year) and a new peak looks set to be conquered this year with an estimated 12 per cent impovement on that. Latest figures for the second quarter of 1986 show the upswing happily distributed across the board—radio excepted—which suggests the total expenditure cake is expanding. Television is up 21 per cent (on 1985) quality daily newspapers 19 per cent, free newspapers 18 per cent, quality Sundays 16 per cent and posters the same. Business and professional advertising shows a 10 per cent advance.

Advertising has enjoyed vigorous growth over the past 10 years—unbroken save for a mini downturn in 1981 in classified advertising.Since 1975 the industry has shown a 66 per cent real growth rate. "This makes advertising one of the country's most successful industries," says Mr Mike Waterson, research director of the Advertising Association.

The reasons for the upswing stem from the two touchstones of advertising health, company profits, which are rising and consumer spending (exports included) which, according to Mr Waterson, is soaring. "There's no doubt about it, we're in the middle of a consumer boom."

Figures aside, much of the news this year has been of the agencies making. Takeover fever and mega-mergers, proveinfectious leading to a record number of battles in the City. In these contests Guinness won Distillers, and Bells, Allied-Lyons fought off Elders IXL, Hanson won Imperial).

Advertising caught the bug, led by the Saatchi brothers. Their controversial acquisition of Ted Bates, the world's number three agency group, certainly won them the covted title of becoming the world's largest agency group, but at a price.

Heavy haemorrhaging of billings (though increasingly balanced by new wins) client resistence to mergers, board room rows and subsequent dampening of City ardour in the stock have dealt the UK's gilt-edged brothers their first real headache.

Other signs of UK imperialism in the US—traditionally the pattern has been the other way around—came from Wight Collins Rutherford Scott which made two major US acquisitions and Lowe Howard-Spink Marschalk which continued its expansion at home and abroad. Elsewhere, agencies of a less globally ambitious nature, broadened their service base by diversifying into related services, such as sales promotion, public relations, design and direct mail.

For advertisers, the pressing problem remains the efficiency of the advertising pound. The high cost of television airtime (up about 24 per cent ahead of the retail price index) is forcing many to question the efficiency of their media buying operations. And with audience levels down by about 5 per cent, contractors are being urged to improve programming.

In many ways, 1986 will go down as a catharsis in the newspaper world. New technologies—despite traumatic labour pains—new publications, and improved efficiency coupled with record revenues have restored some of the dynamism of the medium, long since stolen by television. In 1985, figures show that the qualities clawed back against the regional press to the 50 : 50 ratio of 1980.

Overall national press rose 3.9 per cent to £747m and regionals by 2.5 per cent to £1003m. The free press, especially strong in the Midlands and the north of England, continued its advances with weeklies up 10.7 per cent.

Television, recovered from its early dive last year and freed from the introspection brought on by the Peacock Committees investigations into advertising on the BBC, produced a half-yearly rise of 26 per cent (not accounting for inflation) and industry sources predict an overall rise of 16 per cent for 1986. Last year the medium rose by 3.5 per cent in real terms.

The third largest medium in the UK, direct mail, shot up by 9.3 per cent last year to £455m, and for the first half of 1986 shows a rise of 15 per cent to £260m.

Posters achieved £164m last year, a rise of 9.3 per cent though they continue to battle for market share. Since the demise of British Posters in 1982, the lack of a central marketing body has seen the share drop from 5 per cent to 3.7 per cent. New hopes are pinned on Poster Marketing which aims to promote the medium aggressively.

Though still struggling with its revenues (down 5 per cent last year at £82m), the news on the radio front is optimistic. Morale was boosted by the new Joint Industry Committee for Radio Audience Research study which showed the weekly reach of commercial radio had risen from 42 to 45 per cent since 1982 and that it had regained its brand leadership over BBC's Radio 1. Positive signs of faith in the medium also came from new Australian management which after snapping up one of the leading selling bodies took over a number of independent stations, and looks set to improve fortunes.

Perhaps the most significant move for radio, however, is the impending government Green Paper, expected in the autumn, which is examining the medium in the round and will advise on future directions.

Other sectors on the increase are business and professional which grew by 12 per cent last year to £344m; directories are up by 15 per cent to £209m, and cinema moved up by 12 per cent (current price) to £18m last year. Consumer magazines were the only area of weakness in the press, losing ground partly because of intense competition from the colour supplements.

On the new media front, though cable take-up by UK residents progresses at a snail's pace, satellite television is gearing up for a renewed assault on European homes with the arrival of Superchannel (incorporating Music Box), which alongside the established Sky channel, will offer new opportunities for pan-European advertisers.

In the piranha pool of publicly-quoted agencies, the year has been one of mixed fortunes. Altogether there were seven arrivals over the past 12 months including Gold Greenlees Trott, Davidson Pearce, Abbott Mead Vickers, TMD (the first media independent to go public), Charles Barker and Lopex.

Overall the sector lost some of its sheen, not helped by the ever bright City star Saatchi losing 300p and more off its share price at one point as well as some lacklustre results from other agencies. With the ratings down, the difficulty in finding a USP (unique selling proposition) for investors and the new concerns about the marketability of agencies in the wake of Big Bang city deregulation is making it less attractive and harder for agencies to go public, according to Mr Neil Blackley, analyst with James Capel.

As one analyst put it, the market is not fooled by a grey company coming forward primarily because it wants to cash in its chips.

Overall, publicly-quoted agencies have underperformed the market by 13.1 per cent according to James Capel/Campaign ad agency index. For the 12 months to October 6 1986, the index increased by 5.9 per cent compared to the FT all-share index which was up by 21.9 per cent.

Against the background of hyperactivity of takeover/mergers on the one hand and flotations on the other (we've had British Telecom, TSB, now British Gas and soon British Airways and the British Airports Authority), the year's big spenders have been the financial institutions.

Since 1976 the sector has grown from £30m to £300m according to Media Expenditure by Analysis (MEAL). Even the Stock Exchange has dropped its reservations and taken to advertising with a first ever corporate campaign.

Now with the city deregulation this month, Big Bang, looks set to unlock a flood of new users on to the advertising market.

Corporate advertising stands to boom. No longer the monopoly of the city agencies, every ambitious consumer agency recognises the need to provide financial expertise.

Other major spenders of 1985 include advertisers in the hi-tech, automotive and office equipment areas.

It has been a year when the industry has taken itself to task. Last November the British Code of Advertising Practice, the rulebook for all but television and radio, was revised bringing in tighter controls and putting new emphasis on advertisers' substantiation of claims, among other things.

The promised move to grasp the nettle of television production costs which have been alarming advertisers for years, has occurred. A working party has brought together advertisers, agencies and production houses in an attempt to change operating procedures and eliminate waste. Their report is due at the end of the year.

Advertising restraints are currently cause for concern in the industry. The Takeover Panel's decision earlier in the year to ban advertising "that fails to avoid argument or invective" has sparked off moves urging the industry watchdog, the Advertising Standards Authority, to become arbiter.

Mr Jeremy Bullmore, chairman of the Advertising Association argues that though the ruling does not impact much on agency revenues, the principle at stake is "desperately important."

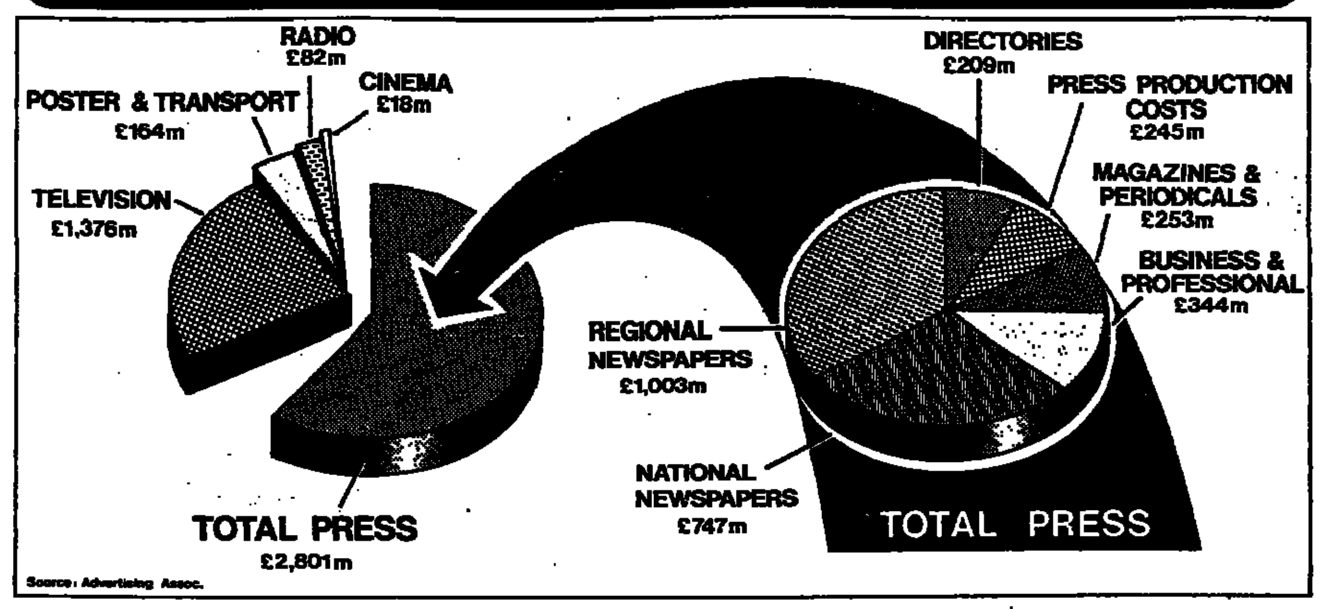
While the industry is wholehearted in condemning the handful of excessive takeover ads that triggered the ban, there is genuine concern at a ruling that is seen as a clamp-down on public information.

"Shareholders and the public generally are denied the pros and cons of the argument. Certain pieces of information are permissible in a shareholders' letter but not in page four advertising," says Mr Bullmore.

With an election less than two years away, the outlook for the advertising business is unsettled. The next eight months look bright, says the AA, but beyond that is an educated guess. The forecast for 1987 is 7 per cent growth overall.

What is clear, by AA reckonings, is that the industry fares better under Tory rule. All post-war Labour administrations have left the advertising share of gross national product depressed while the Conservative Party has left it higher than when it took office, it reveals.

TOTAL EXPENDITURE 1985



Source: Advertising Assoc.

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UK Agencies

Year of the megamergers

TOP TEN UK AGENCIES (to year end 1985)			
1985	1984	Agency	Billing
1	1	Saatchi & Saatchi Compton	£180m
2	2	J. Walter Thompson	£155m
3	4	Dorlands	£105m
4	5	Ogilvy & Mather	£ 91m
5	3	D'Arcy MacManus Benton & Bowles	£ 89m
6	6	McCann-Erickson	£ 79m
7	8	Davidson Pearce	£ 55m
8	10	TMD	£ 51m
9	13	Collett Dickenson Pearce	£ 50m
10	12	Young & Rubicam	£ 45m

SOURCE: MEAL

THIS YEAR will be remembered as the year the agency scene changed shape dramatically, when league tables were turned upside down and agencies made front page news. One trend to emerge from the wave of mergers and acquisitions that has coloured the industry is that the world is polarising between empire builders, the big timers, and the small independent agencies. The "middle ground" agency, it is suggested, is a vanishing breed.

In the UK there are relatively few unattached independent agencies left. Whether forging loose federal links or merging into a multi-disciplinary group, the agencies have shown themselves keen to broaden the service base and spread the profit centre.

This was the year FCO took up with Wight Collins Rutherford Scott. Allen Brady Marsh joined Lowe Howard-Spink Marschalk, Leagas Delaney linked with Abbott Mead Vickers, Royds with McCann and Chetwynd Streets with Addison Page.

On the global scene, Saatchi dominated the news, completing a season of acquisitions—mostly in the US—by seizing the mighty Ted Bates to put the group on top of the world. This was an extraordinary feat, by any standards, for the brothers who some seven years ago were unheard of outside London. Some clients, however, were not so sure and voted with their feet, moving to other agencies.

Altogether billing losses of around $150m have resulted, though a series of gains—including Renault in Italy, and Nabisco—has helped to right the balance. Now the world watches to see if the much-mooted merger of Saatchi-owned agencies, in whatever form, occurs.

For a brief few weeks before the Saatchi move another merger—between BBDO International/Doyle Dane Bernbach/Needham Harper—had topped the world league table.

Indeed, it has been the year fashion returned, to a degree, to the multi-national agencies. These big groups, able to offer attractive packages including salaries as much as £40,000 or more, plus various extras provided they have a way of locking in top talent that many smaller agencies cannot match.

Agencies that have fared particularly well in 1986 include Young and Rubicam which has recovered from a dull patch with some £100m of new business in 1986 alone (including Kodak, Walt Disney, Legal and General).

The continued campaign for British Nuclear Fuels and the privatisation of British Gas (with a budget said to be around £18m) has given the agency a political profile. Indeed, publicity over the agency's attempts to win the Conservative Party account has only added to its fashionability.

Other agencies that have fared well so far this year include J. Walter Thompson which has had its best new business year ever; Boase Massimi Pollitt, which has overcome a stagnant phase in 1985 to put on more than £40m of new accounts. Dorlands, Collett Dickenson Pearce, Abbott Mead Vickers and Wight Collins Rutherford Scott have also had good periods. Lowe Howard-Spink Marschalk claims to have put on some £30m, including its corporate advertising work for bid clients which it has made a speciality.

Saatchi was not the only British agency to make its mark overseas this year. Wight Collins Rutherford Scott joined the big league with its acquisition of HBM Creamer, and then Della Femina Travisano in the US, which puts the group in the world's top 10, while Lowe Howard-Spink secured a European network by acquiring eight agencies from the Interpublic group. Now Saatchi and Wight Collins are considering a listing on the New York Stock Exchange. Saatchi is aiming for Japan too. Dorlands went international, too when it acquired the US agency Dancer Fitzgerald.

In the meantime, there is a continued trend towards diversification into related service activities, such as sales promotion, public relations, design, direct mail and recruitment. At a time when advertisers are demanding more efficiency in their communications and marketing, below-the-line services like these are increasingly sought after by agencies.

On the business to business front, agencies have at last been getting their act together to heighten their profile and underline the specialist services they offer commerce, government and industry.

It is estimated that the agencies quoted on the London Stock Exchange, now numbering about 12, together control around one third of British advertising. According to Advertising Agency Review, 20 foreign-owned agencies, mostly American, have seen their market share drop from 48.5 to 41 per cent since 1979-80.

For the public agencies, it has been a mixed year in which ad expenditure has shot up but the share prices have endured quixotic fluctuations. As agencies have grown in number, so the quality has varied, says one analyst.

The growth of specialist buying companies continues to gain ground and is now claimed to account for around 20 per cent of advertising revenues. This year, for example, John Ayling associates has picked up Kimberly-Clark, Chris Ingram won British Telecom, TMD won Panasonic, Billett and Partners took on British Midland Airways and Yershon Media gained Mitsubishi.

Citing the increasingly fragmented and complex media, the growth of selective monthly magazines, the increase of freesheets and launch of new newspapers along with the dynamic development of radio, John Ayling maintains it is scarcely surprisingly clients are more media conscious these days.

With television costs escalating at around 25 per cent, he says, more advertisers are paying close attention to the efficiency of their media buying activities.

In advertising circles, generally, the outcome of the Peacock Report has caused considerable dismay. There is disappointment at the conclusions, says one commentator, "principally because advertising does not, in my view, lead the the lowest common denominator programming yet we patently failed to get that across to the committee."

Feona McEwan

The Advertisers

Financial sector splashes out

EARLIER THIS year the Stock Exchange joined the growing band of newcomers to the advertising world when it embarked on a £1.5m advertising campaign aimed at bolstering its image with "opinion forming groups in industry, government, academics, and professionals involved in business and finance."

The campaign is staying clear of television but concentrating instead on the quality national press and some regional newspapers and weekly magazines. It reflects the rapid changes now taking place in the financial community and the Stock Exchange's realisation that advertising has an important role to play in getting the message across.

The Exchange, however, has not been alone in recent years in coming to the conclusion that effective communications need something more than mere word of mouth. Many other companies and organisations are increasingly turning to advertising as part of a new awareness of corporate communications.

Moreover, professional groups such as solicitors and accountants have also started to use advertising to publicise their services, after the relaxation in statutory controls in recent years.

Arthur Young, the management consultancy and accountancy firm, believes that targeted advertising about specific services is more effective than general corporate image building. "We have learnt to be selective about how we use the advertising media," points out Mr Richard Findlater, a partner at Arthur Young.

"In the right circumstances it is a useful tool and, in particular, is useful in launching new services such as our information engineering workbench."

However, he adds, "we are more cautious about its value for general corporate image-building as this requires a long-term commitment and a substantial budget."

The past year has also seen a number of publicly fought takeover battles spilling over into the national press and on television as companies have sought to influence shareholders and opinion formers about the relative merits of various bids. In fact, the enthusiasm of these new types of financial advertisers sometimes got carried away, prompting the City's regulatory agencies to step in to tone down some of the advertising.

Yet in spite of this emergence of a new generation of advertisers, it is still very much the manufacturers of fast-moving consumer goods and other durables who dominate the British advertising scene.

Unilever and Procter & Gamble, for example, continue to head the main league tables of UK advertisers compiled by Media Expenditure and Analysis Limited (MEAL) and published in the trade paper "Campaign."

Unilever is the largest total advertiser in the UK according to MEAL's figures with a spend last year of £122.1m. Unilever, however, is a holding company for a group of major advertisers including Lever Brothers, Birds Eye Walls, Brooke Bond Oxo, and Elida Gibbs among others.

Taking an operating company alone, the MEAL analysis puts Procter & Gamble at the head of its list with an expenditure last year of £47.4m. This was a fall from an advertising budget of £48.9m in 1984, in spite of the fact that for the first time MEAL's figures include radio advertising.

P & G, in fact, spends some 6.6 per cent of its budget or £3.1m on radio advertising, substantially more than the £169,000 it spends on press advertising. Lever Brothers, by comparison, spends £931,000 on press advertising but only £215,000 on radio.

Both P & G and Lever put the bulk of their advertising budgets into television—P & G spending 93 per cent at £43.9m—while Lever spends £30.1m or 96.3 per cent as part of a total advertising spend of £31.3m.

Lever still only comes third in this league table since British Telecom—with an advertising budget of £41.2m—is the second largest advertiser in trading terms. A few years ago BT's advertising presence was considerably more low key. But the impact of its share flotation clearly gave it the taste for telling the world about its services.

BT put only 70.9 per cent of its budget into television advertising and 25 per cent into press, with just over 4 per cent on radio. BT retained its second place position in spite of spending marginally less on advertising than in the previous year.

Lever Brothers' move into the third place spot comes as a result of a substantial increase—from £15.4m to £31.3m—in its advertising spend. This saw it jump from twenty-second place to third.

Other newcomers to the MEAL top twenty were the National Westminster Bank in thirteenth place and British Gas in seventeenth. They displaced Gallaher Tobacco, Vauxhall Motors, and United Biscuits.

In fourth place in the league table came Ford—up from seventh in 1984—while another car company, Austin Rover, also rose from seventeenth place to eighth. Analysis of the media spend shows that Ford prefers press advertising to television while Austin Rover spends more on television than press.

Kelloggs dropped to fifth place in spite of increasing its advertising spend—to £30.8m—while Nestle moved from eighth to sixth place after increasing its expenditure from £24.2m in 1984 to £30.6m last year.

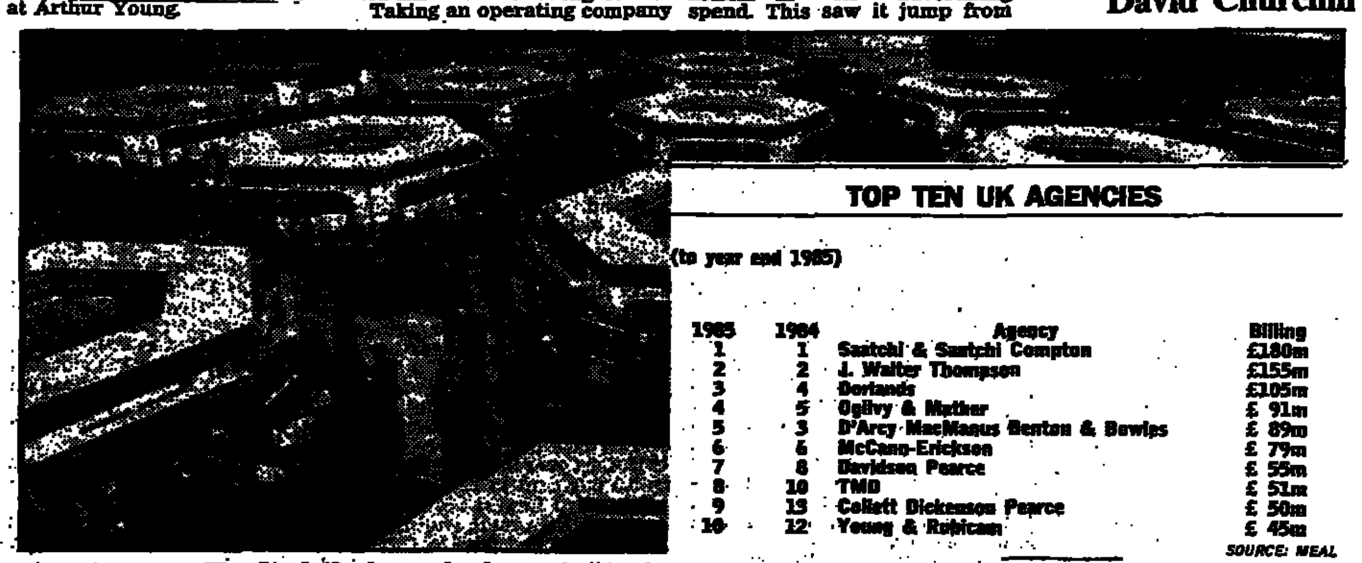
Pedigree Petfoods dropped from fifth to seventh—in spite of increasing its advertising budget to £24.9m—while Imperial Tobacco remained in ninth place. Rowntree Mackintosh dropped from sixth to tenth.

The MEAL figures show that the top twenty advertisers accounted for about 17 per cent of total expenditure compared with 18 per cent in 1984. The top 100 advertisers accounted for 41 per cent of all expenditure, compared with 42 per cent in 1984.

The twelve new entries to the MEAL top 100 all came in the last third of the table.

MEAL's analysis of various business sectors shows that MFI, the furniture centres' group, is the largest retail advertiser.

David Churchill



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SOURCE: MEAL

The Stock Exchange is sharpening its image with a £1.5m advertising campaign.

Regulatory Bodies

Fresh rules for new challenges

THE BRITISH Code of Advertising Practice—which sets the basic rules governing advertising standards in the UK—this month celebrates its Silver Jubilee in a stronger position than it has been for many years.

The code—last given a full review in 1974—was extensively revised over the past two years before the new version came into force at the beginning of this year.

"In this new edition of the code, we have been at pains to explain what self-regulation is and how it works to improve standards in advertising," comments Mr Anthony Bracking, chairman of the Advertising Standards Authority's code of advertising practice committee.

"We were also conscious that the growth in the acceptance of self-regulation has led to increased public expectations which needed to be reflected in the new code," he added.

As a result, Mr Bracking said that the review committee "worked to improve clarity of expression throughout the code, to remove unwanted and outdated restrictions and to introduce fresh rules to meet new challenges."

The code, however, is not the only mechanism for ensuring that UK advertising is decent, legal, honest, and truthful.

There are some 80 or so separate statutes, orders, and regulations concerned in some way with controlling advertising in the UK. Main legislation includes the 1968 Trade Descriptions Act which prohibits false or misleading descriptions of goods and services and certain false statements relating to prices.

Regulations made under the 1974 Consumer Credit Act also specify the form and content of advertisments offering credit or hire facilities. Advertisements broadcast on television and radio are governed by the Independent Broadcasting Authority's code of conduct, while advertisements transmitted by cable are regulated by the Cable Authority.

However, these statutory and quasi-legal control systems tend very much to be rather the "long stop" to the main system of regulation of advertising in the UK—that provided by the Advertising Standard Authority.

The ASA was established in the early 1960s largely as a consequence of the growth in commercial television. This was because television advertising was subject to the IBA's stringent controls while, incongruously, the more extensive advertising through other media escaped censure.

In order to avoid any statutory system of controls being imposed by central government, the advertising industry joined together to create a self-regulatory system for maintaining standards in print, poster, and cinema advertising.

The advertising industry, through various trade associations, therefore set up the code of advertising practice and the Advertising Standards Authority as an independent body to monitor and adjudicate complaints based on this code.

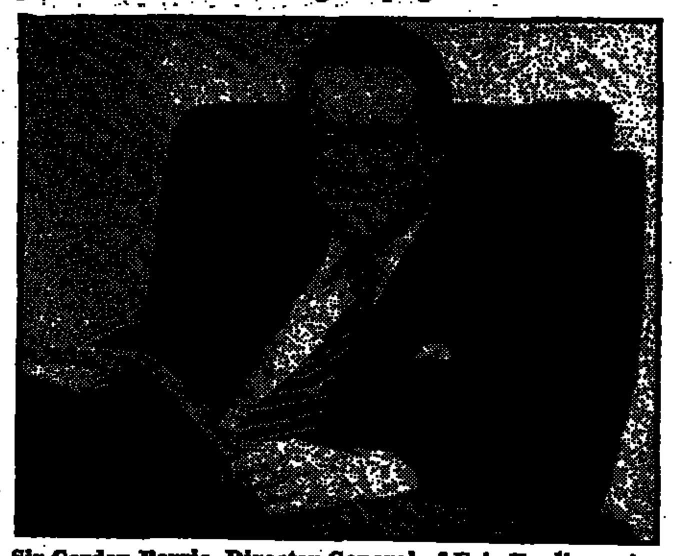
In the early days of its operation the ASA was hampered by a lack of resources. It soon became clear that the ASA needed strengthening if it was to win the confidence of the public and advertising industry alike. Consequently, in 1974, a new system of finance was established which imposed a levy of 0.1 per cent on the cost of all relevant advertising (other than classified). Last year this gave the ASA an income of about £1.5m.

The ASA has a 12-strong council, chaired by Lord McGregor, and a full time secretariat. Its main functions are twofold: to monitor published advertisements to ensure they comply with the code; and to adjudicate on complaints made from members of the public. Complaints from within the industry or from other companies are dealt with by the code of advertising practice committee, which represents the advertising industry's trade associations.

The CAP committee, which operates from the same offices as the ASA although it works separately, also gives pre-publication guidance to advertisers.

ASA monitoring of advertisement standards has also been reviewed and improved and a special sample audit of 11,533 pages of advertising was carried out over an eight-week period. Of these, some 1,108 advertisements were selected for further scrutiny and 44 cases were pursued. Enquiries revealed that 28 advertisements could be substantiated while 14 out of the remaining 16 advertisers approached agreed to amend copy claims.

During the past year the ASA investigated as part of its regular programme some 201 advertisements, with 47 covering travel and leisure and 32 financial advertisements. Substantiation of the advertiser's claims was provided in 132 cases, while a further 42 were given advice as how to correct their claims to comply with the code.



Sir Gorden Borrie, Director General of Fair Trading: given powers under a European Commission directive over misleading advertising

There were five identified breaches of the code, resulting in copy amendment. Some 10 advertisers failed to respond to the ASA's investigations, and there are 12 cases pending.

The ASA also received some 7,308 complaints from the public last year and pursued 2,542

The ASA's authority over advertisers who breach the code is basically to ensure that media owners do not carry offending advertisements. However, the ASA also relies on adverse publicity to encourage advertisers to change.

One problem that has emerged in recent years has been what to do about rogue advertisers who flout the ASA code. Sir Gordon Borrie, Director General of Fair Trading, has for some time considered it necessary for some type of "long stop" powers within his office to take legal action when advertisements are misleading and when advertisers refuse to amend them.

Sir Gordon has now been given such powers under the European Commission directive on misleading advertising which came into force at the beginning of this month. Under the terms of the directive, member states are required either to provide that complainants have direct recourse to the courts to pursue complaints about misleading advertising or to give such powers to the relevant authorities.

In the UK this means not only the OFT but also the IBA, Cable Authority, and the Securities and Investment Board.

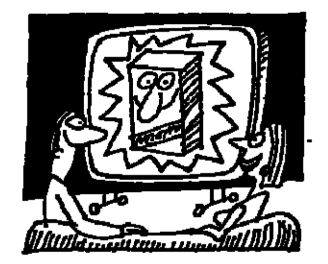
This will be the first time in the UK that the existing voluntary code will be supplemented by the power of public officials to seek injunctions or interdicts to stop misleading advertising.

Sir Gordon has for some time made his position clear on the misuse of advertising. "There is a danger of standards declining generally if the more reputable begin to feel that others less conscientious than themselves are taking trade away from them," he says. "Yet high standards of advertising are a prerequisite for obtaining and keeping a high reputation and in the long run essential for success."

David Churchill

Big changes are pending among the media, particularly TV and newspapers. Further reports on the next page

Heading for the £1bn hurdle



THE EXECUTIVES of independent television companies sometimes sound like farmers grumbling about the weather and the uncertain price of crops as they drive along in brand new expensive cars.

But even the most reticent ITV director has to admit that revenues and profits in the system are soaring and that in a notoriously cyclical business there is at the moment no sign of a downturn.

ITV revenue for this year could be as much as 20 per cent up on last year taking the ITV companies through the £1bn barrier for the first time and on towards £1.2bn for the year.

Advertising revenue in August was up a staggering 34 per cent and although the monthly rate of increase is expected to slow down to about 12 per cent by November and December it is already clear that 1986 will be a phenomenal year for the ITV companies.

The increase has not, however, been evenly spread and there has been a drift of advertising revenue towards the South, a trend that has worked particularly in favour of companies such as Thames, the largest ITV contractor.

Yet just as no one could prove precisely why revenue fell by 6 per cent from October 1984 to March 1985 so there is probably no single answer why there should be a boom now.

One of the key reasons is the broadening of the base of companies which launch television campaigns.

This is particularly marked in financial services and the privatisation drive which has been spearheaded by expensive television advertising. British Gas privatisation ads were under way before the TSB made it to the market and the British Airways flight to the private sector is already moving towards lift off.

The ITV companies, themselves virtually immune from takeover, have also benefited greatly from this year's spate of takeover battles. Now ironically, Britain's national newspapers, trying to reverse the long-term decline in their proportion of national advertising compared with television, are giving another twist to the upward spiral of ITV revenue.

Virtually every national newspaper is fighting its circulation battle out on the small screen as the Fleet Street revolution sharpens competition between long established and new titles.

The Times is already advertising heavily on television to try to hold on to its recent circulation gains. The Daily Telegraph has launched an £8m promotional campaign to win younger readers and The Guardian has tried to steal the clothes of The Independent with a television campaign emphasising its own independence.

Today is spending £4.5m to try to do something about the counter-productive effect of its television launch campaign earlier in the year.

The increase in television advertising will also give a nice boost to the finances of Channel 4. Under an agreement with the ITV companies Channel 4 and the Welsh Fourth Channel get 17 per cent of its advertising revenue.

By next year some of the ITV companies should be breaking even on their investment in the complementary channel which is averaging nearly 8 per cent of the total television audience.

The rapid growth in television advertising revenue comes at a politically embarrassing time for the ITV companies when the Government is considering the recommendations of the Peacock Committee. Peacock decided that BBC Television should not be required to take advertising and that instead the licence fee should be indexed to the retail price index.

Organisations such as the Institute of Practitioners in Advertising (IPA) have argued that there is enough natural growth in the television advertising market to fund a phased introduction of advertising on BBC Television. The IPA is now likely to renew its campaign although the chances of success seem slight.

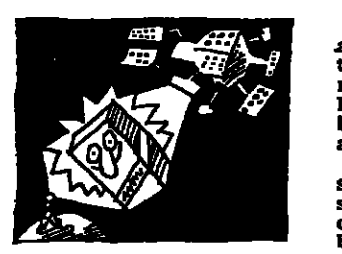
Despite the strong growth in revenue—now being reflected in the interim results of ITV companies—the ITV system still faces considerable uncertainty about the future.

They see another Peacock recommendation, that franchises should be put out to a form of open tender as a grave threat. Even if such an extreme measure is not finally adopted by the Government the ITV system still does not know how long the existing franchises are going to last. The Government wants to extend the existing eight year franchises for two years beyond 1989 to review thoroughly the franchise system.

The Independent Broadcasting Authority has already countered with an appeal for a four year extension followed by 12 year franchises. It argues that such a period of stability is needed for the ITV companies for the assessment of the likely impact of direct broadcasting by satellite (DBS) due to be launched by 1990.

Raymond Snoddy

Global network beams nearer



NEXT MONTH Sky Channel, Rupert Murdoch's satellite television channel aimed at the West German market, will carry a series of advertisements for Gillette, the US razor and toiletries company.

The advertisements are an important indication that the day of the global television network is coming closer. For the ads have already appeared on Mr Murdoch's new "fourth network" Fox Broadcasting in the US and on Network Ten in Australia in a deal done centrally with Gillette's advertising agency BBDO.

"Four other clients are thinking of doing similar deals," said Mr Jim Styles, head of sales and marketing at Sky.

If such deals become common they might help to give the new media television services such as Sky a more established role in the advertising of international brands.

At the moment, however, Sky and other satellite channels of the new media are having a rather uphill task persuading European advertisers of the benefits of pan-American advertising.

Despite being the most successful of the new European satellite channels, Sky is still a considerable distance from breaking even more than four years after launching its service. Losses in the year to June totalled $7.49m down from $12.95m in 1985.

Mr Styles refuses to predict when Sky will break even and will only say: "We're breaking even more weeks this year than last."

Sky, which is now available in more than 7m homes connected to cable networks across Western Europe, is believed to have taken between £10m and £11m in the year ended June 1986. But the battle to attract larger audiences in order to boost advertising revenue means more money has to be spend on better quality programmes.

The financial battle is much tougher for channels such as Europa, launched by five of Europe's public service broadcasting organisations. The channel has had great difficulty attracting significant amounts of advertising in its first year.

Ironically the impact of channels such as Sky on the audience has tended to increase local pressure for more advertising on terrestrial television.

Dr Toby Syfret, head of new media at J. Walter Thompson, the advertising agency, believes that what European advertisers need is simply more television advertising time and that is likely to be satisfied by the opening up of the terrestrial airwaves.

"Satellite television has been a very important pressure for the opening up of terrestrial airwaves to advertising." Dr Syfret believes. It is a process that is under way in Spain, throughout Scandinavia and in the Netherlands.

Most advertisers given the choice, Dr Syfret believes, would probably prefer terrestrial television advertising because it offers complete national coverage rather than a slice of many different markets.

"There certainly is a market for advertising on satellite channels) but whether it is going to be enough to sustain viable stations is open to doubt," said Dr Syfret.

Superchannel, owned by Britain's independent television companies and the Virgin Group, will soon be putting the matter to the test. The channel, a joint effort with Music Box the existing pop music satellite channel, is expected to be launched in the first week in January if agreement can be reached in time with the actors and musicians' unions on the right to re-transmit programmes.

Mr Charles Levison, joint managing director of Superchannel, believes that virtually all the cable operators now relaying Music Box to about 5m homes will take the new 24 hours a day service.

Superchannel will carry 10 hours a day of Music Box programmes, much of it late at night, and the plan is to schedule the prime time television hours with ITV, BBC and Channel 4 programmes plus outside acquisitions.

But Superchannel's key asset, compared to Sky, is that it has access to its own high quality European programming.

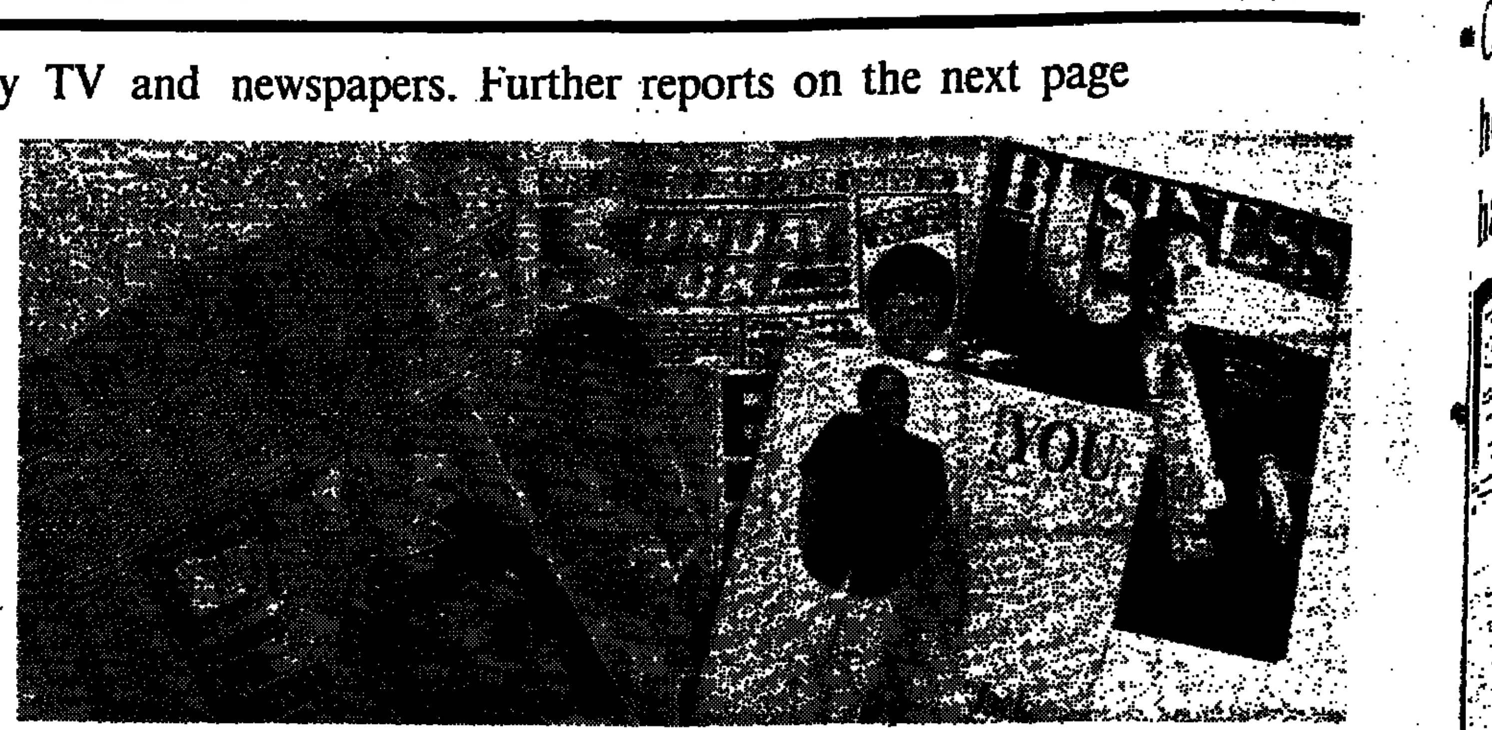
As preparations for the launch of Superchannel get under way the Independent Broadcasting Authority (IBA) is considering five applications for Britain's three channel direct broadcasting by satellite (DBS) franchise.

The plan is to announce the franchise winner by the end of the year and launch a British service late in 1989 or 1990.

All five applicants are planning to finance the project, which could cost up to £400m at least partly by advertising. One, a consortium led by Carlton Communications and including London Weekend Television believes that payment by subscription is not a practical proposition and that the channels can be funded entirely by advertising.

But whichever company wins the British DBS franchise West Germany looks like being first into space with European DBS. The West Germans hope their TV-SAT can be launched next May to provide four new channels of television—two to be provided by existing German broadcasters and two by new media-entrepreneurs.

Raymond Snoddy



Newcomers being produced on high-tech production plants

Boost from colour supplements

EARLY IN 1986 as he mapped out his plans for the launch of Today, his new national newspaper, Mr Eddie Shah promised that not only would Today usher in an era of change to the national newspaper industry but that it would revolutionise newspapers as an advertising medium.

The smudgy ink that rubbed off on readers' fingers, the smudgier production quality, the long leadtimes and soaring cost of advertisements would, or so Mr Shah promised, be swept away as Today set a precedent of crisp production quality, short leadtimes and inexpensive colour advertising which the rest of the industry would have no option but to adopt.

Well, it did not work out quite like that. The national newspaper industry has changed beyond recognition in the last year or so. Mr Rupert Murdoch's News International has decamped to Wapping; a series of new national newspapers have surfaced ranging from the quality daily, the Independent, to the salacious Sunday Sport; and one by one the established national newspaper publishers have unveiled their proposals to move out of Fleet Street into new, high tech production plants. Yet the national newspaper as an advertising medium has barely changed at all.

"Change is inevitable," said Mr Richard Eyre, media director of the advertising agency, Bartle Bogle Hegarty. "But the important changes will take a little longer to arrive than anyone expected at the beginning of the year."

"The next major change will be the availability of colour advertising in newspapers on a wide scale and at accessible prices. That process will begin next year when the Daily Telegraph moves to the Isle of Dogs, to be followed by the other established papers."

The introduction of colour should also provide the next fillip for national newspapers' share of the advertising revenue. Although the press as a whole has slowly but surely lost market share since the introduction of commercial television in 1955, in recent years national newspapers' have proved remarkably resilient in retaining their share of revenue.

In the last decade national newspapers have absorbed between 16 and 17 per cent of advertising expenditure. Last year they claimed 16.8 per cent, according to the Advertising Association's statistics.

Within the national newspaper industry the "quality" papers have fared best, benefiting from the stream of takeover bid advertising at the beginning of the year and from privatisation campaigns in the closing months. The tabloid market is more problematic with fierce competition and aggressive discounting.

Yet much of national newspapers' resilience is attributable, not to the development of the papers themselves, but to the growth of colour supplements which have won additional advertising revenue, chiefly at the expense of women's weekly magazines.

Since the launch of the Mail on Sunday's You by Associated Newspapers and the News of the World's Sunday by News International, colour supplements have contributed a steady 17 per cent of national newspaper advertising revenue.

By contrast, magazines have watched their share of revenue decline in recent years. In 1985 magazines' market share fell below six per cent for the first time. This compares to 7.5 per cent in 1980 and 8.2 per cent in 1975.

The women's weekly magazines, dominated by Reed International's subsidiary, IPC, with Woman and Woman's Own, and DC Thomson, have borne the brunt of the decline. This year their problems have been compounded by the launch of Chat an unashamedly downmarket "tabloid" magazine modelled on the Axel Springer group's Bild der Frau, in West Germany. Chat, which is published by Independent Television Publications, already sells around 750,000 copies a week.

By contrast the unashamedly upmarket monthly magazines, Vogue, Harpers & Queen and Tatler, have fared well in terms of both circulation and advertising.

The boom in advertising for up market goods has encouraged Conde Nast, Vogue's publishers, to launch two new magazines, Business—a joint venture with the Financial Times—and the forthcoming Vogue for Men. Similarly the independent publishing company which produced the influential style magazine, the Face, is introducing a men's style magazine, Arena.

Mr Rupert Murdoch has chosen the "middle market" dominated by the Hearst Corporation's National Magazine Company with Cosmopolitan and Company as his point of entry to the UK magazine market, with British Elle. Like Chat, Elle has fared well since its launch.

The teenage market has been identified as Mr Murdoch's second target territory. Teenage magazine advertising is booming. None the less the market is intensely competitive with the success of EMAP's Smash Hits and Just Seventeen contrasting with the failure of IPC's The Hit and DC Thomson's Etcetera.

Similarly in the local newspaper market, although the steady slide in market share has been stemmed—local newspapers' share of advertising revenue fell from 29.3 per cent in 1975 to 25 per cent in 1980 and to 22.6 per cent in 1985 but has remained relatively stable since 1983—one sector of the market, free newspapers, is faring well at the expense of the other, paid-for papers.

Free newspapers emerged as a dynamic force within the local newspaper market in the 1970s and have gathered momentum ever since. In 1985 free newspapers captured a larger share of advertising revenue than paid-for papers for the first time.

"The pace of change has accelerated in almost every area of press advertising in the last 12 months," said Bartle Bogle's Mr Richard Eyre. "What is interesting is that in every area a maverick, independent publication has emerged as the catalyst for change, whether it is Today, Chat or free local newspapers.

All the catalysts have come from outside the established system and whether they have succeeded or not they have been highly influential."

Alice Rawsthorn

A more contented sound

FOR THE first time for years careful listeners can detect a few contented sounds coming out of Britain's independent local radio (ILR) system. A significant number of the stations may still be losing money or at the very margins of profitability but future prospects are starting to look a lot brighter.

"There is a lot more buzz about the industry," says Mr Brian West, director of the Association of Independent Radio Contractors which represents the 47 ILR stations.

In the last few months radio advertising figures have started to rise—though nothing like as rapidly as television—and the year ended September 30 is likely to show a 6 per cent increase on last year's net revenue of £64m.

Two Australian broadcasting organisations, Darling Downs and the Paul Ramsey group have bought their way into the UK industry. Many, including the Independent Broadcasting Authority, hope their experience of highly competitive Australian radio will help improve the marketing of ILR.

The IBA plans to reduce its rental charges for transmitters and regulation by around 25 per cent and take larger contributions from ITV.

All the signs are that a government green paper on the future of radio expected later this year will propose a significant measure of deregulation for ILR. One possibility being considered is the creation of a new radio authority or the transfer of local radio regulation to the Cable Authority.

Such changes collectively might begin to do something about the central paradox of commercial radio in the UK: its considerable success in attracting listeners and its even more marked failure in winning a decent share of the advertising cake.

The failure is partly caused by the strange anomaly that Britain was the only country in the English-speaking world where commercial television preceded commercial radio, now just 13 years old.

In Britain spending on radio has stuck stubbornly at between 2 to 2.5 per cent in marked contrast to other countries where the medium typically takes between 7 and 10 per cent of total advertising spending.

According to research from JICRAR, the industry research organisation, independent radio now attracts an audience of 20.2m people, an increase of 16.1 per cent over 1984 with an expanded audience universe (those who listen sometimes) of 38.9m. Weekly reach is now 45 per cent and total adult hours of listening increased from 178m to 221m.

The ILR stations have been trying to make themselves more attractive and accessible to advertisers and new programming ideas are coming forward.

Advertiser response to the first simultaneous transmission of a pop concert on commercial television and all the ILR stations have been enthusiastic. The concert by Queen goes out on October 25.

The setting up of the Network Chart Show has also been successful in attracting new advertisers.

Through the Radio Marketing Bureau, the organisation set up to promote the advantages of commercial radio in the UK, more information has been made available on programmes. A Radio Atlas has also been compiled giving detailed maps and the socio-demographic breakdown of the population within each station's catchment area.

National packages of advertising covering all the ILR stations have been introduced. They include the "news package" which gives advertisers slots next to the three main news bulletins every weekday and the "7 Day package" which consists of three spots a day every day of the week within guaranteed timebands.

Mr Brian Mallon, an executive of the Australian Darling Downs organisation, who heads the national radio sales organisation (IRS) is optimistic about the future

The increasing trend towards mergers between ILR stations is also encouraging the more effective regional marketing of radio advertising.

The most recent example came this month with five stations planning, subject to IBA approval, to merge to two. Metro Radio in Newcastle is to merge with Radio Tees and Viking Radio, Radio Hallan and Pennine Radio in Yorkshire and Humberside also intend getting together. If the planned mergers go through the North East stations will be able to market themselves on the basis of ITV regions.

Such mergers flow from a realisation that ILR is likely to face growing competition in the next few years. It has taken several years for commercial radio to shake off the effect of the arrival of breakfast televison and now the system will have to face up to a new battle for the listener's attention with the launch of all day television.

The BBC plans to launch its daytime television service on October 27 and ITV will follow next autumn if not sooner. Yet Mr Brian Mallon, a Darling Downs executive who heads Independent Radio Sales (IRS), the national radio sales organisation is optimistic about the future.

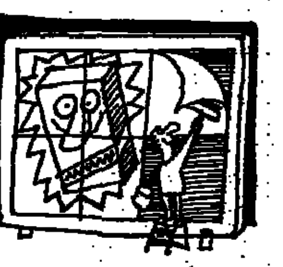
"I believe there is a groundswell of genuine interest in the medium. Commercial radio has been a sleeper in this country but people are beginning to realise there is a real opportunity for them to take," said Mr Mallon.

Darling Downs through its British subsidiary Chalford Communications, apart from controlling IRS, has 49 per cent of the voting shares of LBC in London and stakes in 13 other ILR stations.

Mr Mallon believes ILR ought to be able to double its share of the advertising cake over the next two or three years.

R.S.

Oscar's helping hand



Pipeline: This poster gained Saatchi & Saatchi Compton a silver award in the recent Campaign Poster Awards

OUTDOOR ADVERTISING is on the rise again: that at least is the hope of the owners of the country's 70,000 sites, plus their rivals (and colleagues) in transport advertising. In the peak year 1979, outdoor's share of the total advertising spend rose about 5 per cent. Since then it has fallen slightly, perhaps because the Office of Fair Trading banned British Posters, the one stop sales organisation which controlled 40 per cent of the sites in 1981.

Now outdoor has got its act together again. Last autumn it launched OSCAR, a research service which, for the first time, offered advertisers data on the likely audience for every poster site in the country, and last spring the Outdoor Advertising Association, which includes all the leading contractors, financed Poster Marketing to promote their medium to advertisers and agencies.

Not that outdoor is without its fans. Its creative possibilities have become much appreciated in agencies in recent years. The problems were the difficulty in buying into it cheaply and easily and the lack of research information about what you were getting for your money.

A spate of specialist buying houses, such as Portland, Pinnacle, Concorde and Poster Link (now merged), and Harrison Salinson, has taken the hassle out of booking a campaign, and, although it has had its teething problems, it is expected that OSCAR will convince media and research departments that posters can be evaluated.

No one disputes that this is a cheap medium, and its prices have risen more slowly than inflation. The new data suggests that you can buy an audience through outdoor typically in London for 86p a 1,000 as against the £10 per 1,000 of TV advertising. And now case histories are being prepared, for users like the Brick Development Association showing how outdoor increases brand awareness, and, for Collins Road Atlases, boosts actual sales. The first Poster Marketing Effectiveness Award has just been presented—to Radio Rentals for its success in selling more blank tapes by poster.

Outdoor advertising will be worth around £175m this year, with posters acounting for about £117m, and transport, which is growing more rapidly, to about £58m. It is dominated by the same old names—London & Provincial, Mills & Allen, More O'Ferrall Adsel, and Arthur Maiden but they have sharpened their ideas. The future lies with 48 sheet and 4 sheet posters rather than the traditional 16 sheet, and poor sites are being eliminated.

Arthur Maiden has recently invested £1m in a computer-controlled graphic animated display at Piccadilly Circus which converts posters into film, Mills and Allen has a similar computer pics system at Shepherds Bush, while London Provincial is about to market a "talking" poster in shopping precincts in Birmingham and Manchester.

London Transport Advertising is offering advertisers access to a nine screen "video wall" at Terminal 4 of Heathrow.

On top of these peripheral extensions to outdoor there are the eye-catching ideas of agencies and advertisers—the helicopter hovering over a hoarding for Peugeot; the car stuck on a Citroen poster; the giant electronic plug selling the Electricity Board; the "wrapped up" poster from the GLC. Guinness actually cut a vast chunk out of one of its sites on Westminster Bridge overnight to create the effect of a returned coupon.

This was a brave move from one of the heaviest buyers of outdoor advertising. But in recent years the drink and tobacco companies have lost their dominating hold on sites, partly, as was the case with tobacco, through government pressure, partly because the contractors wanted to attract new advertisers.

Cigarettes and tobacco still account for 20 per cent of expenditure and beer 9 per cent but food is now 15.9 per cent and categories like retailing and financial services are growing apace.

The idea now is that outdoor is flexible: the old "till cancelled" days are almost over. If you want a campaign quickly and you want it to run for just a week you can get it—at a price: a pre-empt system is now operating in outdoor. To secure a prime site on the Cromwell Road, the busiest route in Europe with 70,000 affluent motorists a day idling down it, you will have to pay heavily, and you will be expected to come up with an imaginative concept.

The recent *Campaign Poster Awards* showed just how bright and breezy outdoor can be—and how the big names are involved. Allied won the best individual gold for its Castlemaine XXXX poster while Beecham took the best campaign, and a silver, for Brylcreem.

Among the other eye-catchers were Heineken, Swan Vestas, Shredded Wheat—and the FT. Outdoor has come out from the cold, and so it should, given that it is the oldest and most unavoidable of advertising media.

Antony Thorncroft

Campaign/Amstrad

Pitch that mirrors the product

"WE HAVE demonstrated year after year that there is a direct contribution between advertising and sales and we know how much to put in to get the right level of sales." This is not just any marketing director making this bold statement but Mr Michael Miller of Amstrad, the hi fi and computer company which has raised its profits from £1.3m in 1980 to a predicted £75m this year.

Amstrad takes the same direct approach to advertising that it does to manufacture. It produces very little itself, preferreing to import machines from South Korea. It also leaves other companies to develop new lines knowing that it can secure an enormous business by bringing out cheaper versions.

This was its approach with the Amstrad 8256 launched just a year ago and now selling over 50,000 units a month. The advertising is handled by Delaney Fletcher Delaney and while it will win few prizes it is superbly adapted to the job in hand. The agency began working for Mr Alan Sugar, the man who created Amstrad, early in 1985. It was approached out of the blue and now handles most of the £12.5m advertising spend of the company, a sum that has trebled in the past year.

Much of the money has gone on the successful launch of the 8256, a word processor with many of the attributes of a computer and which staggered the market by selling for £399. This gave Delaney Fletcher Delaney its selling line; "More than a word processor for less than a typewriter."

Most of the advertising is concentrated on television, going in bursts linked to the arrival of supplies—at certain periods demand has outstripped the machines available. The two commercials are aimed at businessmen, and both show off the attractions of the machine while concentrating on its price.

A problem for the agency was how to stress the obvious attraction—the price—without suggesting that it was a cheap product. The light-hearted approach skirts the difficulty. There was also the question of what to call a machine which is as much a computer as a word processor.

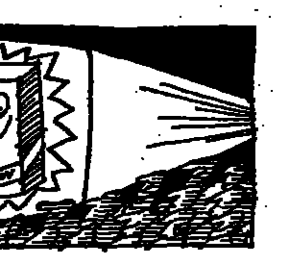
The knowledge that Amstrad was to launch a computer this autumn settled the matter. This is now on the market undercutting IBM dramatically with the line "Competitive with you know who. Priced as only we know how."

The launch of the Amstrad 8256 picked up an award for the best consumer durable of the year. The agency got the formula right, by not selling it just on price. There is plenty of sales copy in the press ads in up-market publications, around an eye catching headline. It now faces a similar challenge with the computer with the knowledge that Amstrad is already plotting its next move.

Antony Thorncroft

Mr Alan Sugar, chairman of Amstrad Consumer Electronics with the new £399 Pc-compatible PC 1512

Direct route to the young



THESE ARE exciting times for the cinema. It may be small in advertising expenditure terms—bringing in not much more than £16m in revenue in a year—but it is packing plenty of incident into its affairs. Perhaps of most importance it is expanding its audience.

After years of remorseless decline, from 450m cinema visits in the UK in the late 1940s to just 54m in 1984, attendances are on the increase. British Film Year, in 1985, boosted attendances by 31 per cent and the first six months of this year showed a 12 per cent gain over 1985. The cinema is looking towards 80m admissions in 1986.

This gives cinema something to sell to advertisers. In addition all the major cinema owners are refurbishing their houses, and it is quite possible that next year could see an increase to approaching 1,200 in the number of cinema screens for the first time in generations.

Going to the cinema is becoming fashionable; the industry is being talked about in buoyant terms; a visit is now more pleasurable—even the quality of the films seems to have improved.

Against this optimistic backcloth there have been major changes in the organisation of the industry. For years it has been a duopoly and until now Pearl & Dean took over 60 per cent of the revenue and Rank most of the remainder. Then Rank won the conract to provide the advertising in the Star and Classic cinemas, owned by Cannon, from next January; shortly afterwards Cannon acquired ABC, and Rank gained this enormous slice of extra business, from next July. By then Rank will be bringing advertisements to 80 per cent of the nations cinema screens, a sharp turnaround.

A third major change was the disappearance from cinema screens this year of tobacco advertising. Six years ago it provided around 20 per cent of cinema advertising revenue. The contractors, well aware of how the wind was blowing, have made strenuous efforts to attract new clients and by the time it went the tobacco industry was responsible for about 5 per cent of the advertising.

The two most flourishing new customers for the cinema are grocery brand and financial services. Brooke Bond, with Red Mountain coffee, Nescafé, Weetabix, and Kellogg's Start are just some of the major brands on the screens while banks like NatWest, Barclays and TSB jostle with the building societies.

Electrical goods, publishers, especially newspapers, and cars are other keen advertisers who are pushing revenue up 20 per cent on last year. Indeed it is hard to get bookings in many areas before Christmas.

The two great sales points of the cinema contractors are the dramatic impact of big screen advertising and the nature of the audience—the elusive young who watch little television. Seventy eight per cent of the cinema audience is under 35 and 60 per cent under 25. This determines the nature of the advertising, although Rank is now making a big play for children.

It is able to do so through the flexibility of the medium. You can book a week's campaign in just one cinema or cover the country for a year. While it is possible to link your advertising with one particular film most campaigns are now bought on an Audience Delivery Plan whereby the advertiser decides how many people he wants to see his commercial and pays accordingly.

Cinema remains a cheap medium, with only a few advertisers, like Levi, Holstein and Pernod spending over £500,000 a year. Often the cost of making their commercials can be half the size of the advertising budget but they should run for at least two years.

At the other extreme the local Chinese restaurant can book a spot for between £10-£15 a week—but must commit itself to a 65 week contract. Local advertising remains useful bread and butter business (growth around £5m a year) but the future lies with persuading major manufacturers that cinema should be added to their schedule. In the past the contractors have been slow to provide a more comprehensive marketing service—such as posters in cinemas; vouchers with cinema tickets; couponing in film magazines; and product placement in the actual film—but this is slowly emerging.

Above all cinema is cheap and selective. "Time Out," for example, has booked a three month campaign through Rank in cinemas in the GLC area for £50,000, the cost of a couple of peak time spots on Thames TV. And it knows it will be screened at its target audience.

Antony Thorncroft

Maurice and Charles Saatchi: merger with Ted Bates created the world's largest agency

In the U.S.

Madison Avenue feels the squeeze

AS THE turmoil in the US advertising business continues, glimmers of the real issue—falling advertising spending by major companies—are visible beneath the soap opera of what the Saatchis are up to next. Network television advertising by the top 100 American advertisers fell in 1985 by 2.6 per cent to $6.3bn in the context of a total advertising increase of only 2.7 per cent to $26.67bn.

Saatchi & Saatchi has looked to be the villain for its executive changes at Ted Bates and humiliating deliberations over what units to merge, but advertising agencies are beginning to realise that they face shrinking budgets from advertisers and smaller profits as clients merge and demand cut rates. Agency mergers are not confined to the marauding of aggressive foreigners, as the pace of takeovers in advertising doubled in 1986.

At the same time, the rise of Saatchi in 1986 has also focused attention on those agencies that remain independent and emphasise their autonomy and availability. Within days of Saatchi & Saatchi's agreement in May to buy Ted Bates Worldwide for $450m, one small American advertising agency ran an ad with the tag line, "A non-Saatchi & Saatchi agency."

Another, Rosenfeld, Sirowitz & Humphrey (RS&H), with annual billings of $140m, had a full-page all-print ad in the New York Times with the headline, "Is your advertising account a victim of mergermania?"

According to Mr Ron Rosenfeld, co-chairman, in its first month the ad elicited 11 responses, three from clients of the merged agencies. The ad nudged clients that they might be "concerned that, at your size, you won't be important enough to them anymore."

As much as between $1bn and $2bn may switch agencies as a result of mergers, which besides the creation of the world's largest agency, also saw the making of the second largest less than a month before when BBDO, Doyle Dane Bernbach and Harper Worldwide got together to make Omnicom.

The first of the business RS&H received since the mergers was for Ibuprin, a new analygesic made by Thompson Medical Company, one of whose main agencies is Saatchi & Saatchi Compton. For RS&H the assignment is not a victory over a merged company but an opportunity to try out one product for a client.

More business, Mr Rosenfeld hopes, will follow, as it has for agency clients Charles of the Ritz cosmetics, the Chase Manhattan Bank and Smith Corona typewriters. For now, Thompson keeps the rest of its account with the existing agencies.

Turmoil there is, as the most basic human qualities which businesses share, like loyalty and service, are questioned by clients. But Emma Hill, an analyst at Wertheim & Co, thinks the beneficiaries will be other big agencies, not the small to medium sized ones.

She traces the advertising business's problems to multinational clients' consolidating their accounts around the world. These moves hurt the small and mid-sized agencies, with big clients coming to rely on big agencies.

Because of a conflict, Stroh's beer went from BBDO, part of Omnicom, to Grey Advertising, the tenth largest agency with worldwide billings of $1.7bn and US billings of $1.2bn.

On the staffing front, mergers are causing major personnel changes which can only help smaller agencies. Talented people made redundant or reluctant to work at large agencies have a chance to put their experience and contacts to work for smaller firms.

Many mid-sized agency owners are themselves veterans of the larger shops. Rosenfeld and RS & H partner Leonard Sirowitz were a prize-winning creative pair at Doyle Dane Bernbach. But they got tired of the bureaucracy and went out on their own 15 years ago.

Mr Stephen Humphrey was a recent recruit who has made a difference to the firm's business. "Historically, the agency had the reputation of a leaky bucket," he admitted. "Now we haven't lost an account for the last two years." Recent campaigns including using middle-aged accented sex-therapist Dr Ruth Westheimer for a typewriter commercial.

Such bolstering for the smaller agencies answers Emma Hill's qualm that since most agencies are started by creative people, they have lacked good managers. Mergers are creating job overlaps, with department heads reluctant to be relegated to an underling again, or rationalisation in the back office, where economies of scale can exist in media buying and financial functions.

Although claiming the change was unrelated to the merger, Mr Mike Drexler, the media director of Doyle Dane Bernbach, moved to Bozell, Jacobs, Kenyon & Eckhardt within a week of the merger.

Just as the smaller agencies gain prominence as the advertising business shrinks, so do regional agencies, which are increasingly competing for national business. The Boston-based firm Hill, Holiday Connors, Cosmopulos was named Advertising Age's agency of the year for its campaigns for national accounts like Springmaid sheets, Lotus software and Wang computers.

New York's share of the nation's advertising has shrunk from 49 per cent in 1974 to 44 per cent 10 years later.

Regional agencies like Fallon McElligott in Minneapolis have gained national reputations for commercials for the hard hit Continental Illinois Bank ("We work hard. We have to.") and the Wall Street Journal ("The Daily Diary of the American Dream").

Portland-based Wieden & Kennedy started with only a local account, Nike shoes, but the success of the client helped the agency grow and attract the business of Honda Scooters, for which, ironically, it filmed an award-winning commercial on the streets of New York.

With many changes still to go, the advertising business looks as though its shakeout is following the course of its clients' own mergers, with big agencies for big clients but still plenty of little clients *and* little agencies.

Frank Lipsius

Japan

Upping of a youthful image

"IMAGE UP"—a popular expression that now resides in the Japanese vocabulary—packs a lot of meaning in Tokyo these days. It was the bright boys of Japanese advertising who coined the term a few years ago, but today, the "upping" of image is a matter bordering on the passionate for the consumer smart and financially secure post-war Japanese.

With so much money to be spent and so much "image" to be generated these days, advertisers find themselves in a continual scramble for a share of Japan's plentiful disposable yen. "The market is sophisticated and demanding," remarks Kimiaki Tanaka, a director of marketing for Seibu, the trendy, uncontested pacesetter among Tokyo department stores.

"Just a few years ago branded products—especially those with an imported designer name—were enough to attract and hold a steady market. Today, Japanese consumers want high-quality, Japanese-made goods that clearly avoid a mass production/mass market image."

Efficacious marketeers are only too happy to supply a creative diversity of goods and services to the "neo-Japanese" as they're often called, but the real competition is in the advertising. Visually astute and product conscious, young Japanese like to be flattered through advertising that engages the cerebal. "An impression is what's important," says Mr Bernard Barber, an executive vice president at McCann Erickson-Hakuhodo in Tokyo.

Mr Barber points to the success of a recent television advertisement for mayonnaise that pictures a group of American cowboys with the single expression "It tastes like a river, not like a pool." Don't get it? Don't feel badly, it's all a part of what ad executives refer to as "top-of-mind awareness," one of several contemporary trends in Japanese advertising that sell products by practically avoiding any mention of the products themselves.

There are other creative differences in Japanese advertising that now have ad agencies looking at the traditional "hard sell" as well. Comparative advertising between products, for example, rarely occurs in Japan. "Before and after" claims are never made either.

Where conventional logic in the West tells television viewers "why" and "how," the Japanese are much more sensitive to feelings and a sense of familiarity. "Often, the approach is to make friends with the viewer," explains Mr Barber. "Western advertising makes the product superior but Japanese advertising makes it desirable."

Although advertising represents only 1 per cent of Japan's GNP (compared with 2.3 per cent in the US, the largest expenditure in the world), the Japanese are persistently invaded by multimedia overexposure. Dentsu, Japan's largest advertising agency, reports that the average Japanese sees about 75 television commercials per day, most of them 15-seconds in length.

Over 95 per cent of Japanese homes subscribe to one or more newspapers and some 200 new magazines are started up each year in Japan. Last year alone, eight new "men's" magazines—targeted to boys between 15 and 25 years old—developed in response to the new high fashion profile of young Japanese men. As is typical for a number of other magazines published in Japan, the advertising in this latest spate of offerings is far more creative than the editorial content.

Subways, too, have become a competitive playground for advertisers whose posters are considered by some to be among the most provocative in the world. In fact, it is through transit advertising that a lot of "experimental" approaches are tested with an obvious captive audience. Japanese commuters log an average of three hours a day going to and from work, but even a short ride on a Tokyo subway introduces a virtual wonderland of advertising images that embrace the obvious, the abstract, or the avant-garde.

In one of the most memorable recent ads, Hollywood actress Faye Dunaway, clad in an extraordinary Issey Miyake costume, plays the role of a Bodhisattva, about to reach Nirvana. What is she selling? "Dreams," replies Tsuji Masuda, the director of Parco, Tokyo's most stylish commercial-cultural complex.

Parco has built an entire advertising strategy on mood and subtlety rather than an intention to persuade, a message that last year earned the hip retailer gross sales of Y150bn (£681m).

But profits in the advertising business are made not so much of dreams as they are of a careful fine tuning to the trends and whims of a volatile market. The days of the traditional Japanese consumer profile are gone for good as the consumer market here continues to become more finely sectored.

According to Barrington Hill, executive creative director at McCann Erickson-Hakuhado, "The youth market alone has become so extraordinarily fragmented that companies must sell a unique image in order to retail a multiplicity of products. There's an unbelievable proliferation of extremely precise consumer targeting occurring, such as soft drinks advertised to urban girls who turned 16 in February. Or under one brand name it's not unusual to find over a hundred new watch lines introduced in one year."

Credit spending—a relatively recent commercial and social phenomenon here—is also dramatically affecting advertising. The Japan Consumers' Association notes that "advertisers have gone overboard with the attraction of easy credit." In fact, the government's Economic Planning Agency estimates that one out of every two Japanese aged 18 and older has an average of two credit cards of some kind. With the majority of credit purchases going to fashionable goods, designer clothing and interior items, advertising in these areas has also expanded.

Travel cards, too, are creating a trend for "leisure" and travel related advertising. American Express, Japan's largest foreign credit card company, estimates the number of Japanese holders of its travel cards will reach the million mark in the next two years.

Annual advertising expenditures in Japan hover around the $12bn mark, but will no doubt chart a steady rise with the continuing trend of younger, image-conscious consumers entering the marketplace. Direct mail and point-of-purchase promotions, unheard of just a few years ago, have also now become popular and profitable strategies in Japan.

In a recent development, Dentsu Inc surprised the nation's male-dominated advertising industry with the formation of a new production house, Dentsu Eye, staffed exclusively by women who are filling a vital gap in product planning for women's products.

Rosy Clarke

Ms Clarke is General Manager of Naisbitt Group/ASI Group in Tokyo and Editor-in-Chief of Trendscape: A quarterly view of the currents shaping modern Japan.

Ashley Ashwood

Visually astute and product-conscious young Japanese, with plenty of yen in their pockets, are wooed by advertising that engages the cerebral

Campaign/British Rail

Switch to the positive line

HOW DO YOU advertise a product which the public has decided to make a national Aunt Sally? This is the problem for the agencies working for British Rail. They cannot over-sell it, making claims which consumers know are palpably untrue. What they can do is to pick out the positives and try to persuade people to think more rationally about the railway service.

Yet British Rail has organised its advertising in an irrational way, with two top agencies, Saatchi & Saatchi and J. Walter Thompson, splitting the major part of the business, Inter City, between them, the former trying to boost business travel and the latter leisure, as well as looking after the corporate image. In practice, BR's Central Advertising Services is on hand to ensure that the same tone of voice is used in all the advertising.

Until recently most of the money around £3.5m spent through Saatchi & Saatchi and nearer £6m through JWT has gone on to television. Both agencies when they took the business away from ABM, were united in recommending that the previous campaign based on Jimmy Saville should be dropped: it had run out of steam and he hardly represented the market that British Rail was going for.

Instead the agencies have raised their sights, projecting a more glamorous image and hoping that BR's efforts to liven up its staff by sending them to charm school will ensure that it can deliver on the rails the promises in the ads.

Not that the advertising goes over the top: as Mr Jeff Stark, who creates the advertising at Saatchi, points out, most of the benefits stressed in his advertising—the better leg-room compared with plane travel; the BR breakfasts—are unchallengeable. And that Mr Stark says is good enough for the client. He worked for BR at ABM; was given business when he set up his own agency Hedger Mitchell Stark; and brought the account to Saatchi's when Hedger was bought by that giant.

He was the man who dreamed up "We're getting there" (JWT's alternative was "Working on a better railway", similar approach) and his work has won a host of creative awards—as well as providing the Advertising Standards Authority with the greatest number of complaints, so ingrained is the public distrust of its railway system. Now "we're getting there" is being phased out: it was too much a hostage to fortune.

The two agencies acknowledge that they are going for the same consumers and that there is a large overlap in their advertising. JWT favours a musical, light-hearted, approach, which makes BR seem like an old friend: Saatchi's has gone for the quantum leap approach it adopts in its British Airways advertising, challenging the public to think of BR in a different way.

Indeed, with few apparent worries about working for competitive accounts, its commercial in which the cramped plane turns into the expansive train, is an award winner which must cause a few raised eyebrows at British Airways. But it is one of the most effective ads of the year.

And this is not just the view of advertising judges. Passengers and profitability are increasing on InterCity. The slogan might go, but the advertising is getting there. But still the contradictions continue. As well as two agencies servicing the same account; a client that stays loyal to an individual creative talent (customary in the US rare in the UK); and an agency which gently knocks one client with prize-winning commercials for another, there is another novel element to this campaign. The client has appointed All Media Services to advise on the buying of its advertising. It tends to use TV commercials for a long time, and its main innovation now will be to back them up with a press campaign which spells out the more practical attractions of train travel. In time the booking of the ads may be done directly.

But whatever the politics in working for a nationalised body both JWT and Saatchi believe that they are making their contribution to improving the image of a national joke by using humour, and convincing consumers that rail travel is more of a pleasure than a penance.

Antony Thorncroft

The slogan might go but the advertisement is getting there on the InterCity line

THE OCTOBER REVOLUTION

What will life be like after the Big Bang? How will the restructuring of the securities markets change the shape of the City? Who will be the new elite? And how will the London, Tokyo and New York markets work together?

In The City Revolution, the FT's biggest ever Survey, published on October 27th, twenty specialist writers will examine life after the Big Bang. They will look at every aspect of the changed and the changing City – at why the changes are necessary, how they came about and how they are likely to develop.

It is the kind of Survey the FT does with knowledge, insight and authority. The kind of Survey that will be read immediately, then put aside to refer to again and again.

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